FPI

2002 ANNUAL REPORT

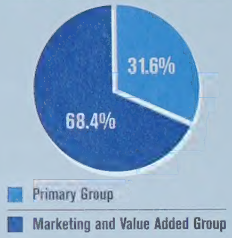
From Ocean to Table

Fishery Products International has charted the course to become one of the most valuable food companies in the world. Our team is dedicated. Our goals are clear. Our strategic plan is focused. United with our shareholders, we navigate towards a great future. Together, we are forging ahead with vision, direction, and momentum.

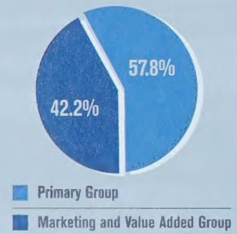
Navigating the Course

2002 Annual Report

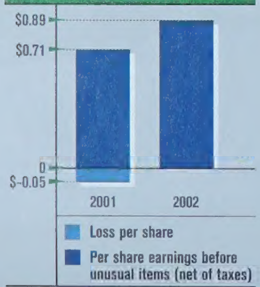
Gross Profit
(segmented)



Assets
(segmented)



Consolidated Earnings Per Share



Financial Highlights*

dollars in thousands, except for per share data and statistics	2002	2001
OPERATIONS:		
Sales	$ 740,914	703,115
Expenses*	703,706	668,209
EBITDA*	37,208	34,906
Unusual items	-	14,543
Net income before unusual items (net of taxes)	13,771	10,821
Net income	13,771	(700)
Return on shareholders' equity (before unusual items)	7.0 %	5.6 %
Cash flow from operations (before changes in non-cash working capital)	24,140	9,048
FINANCIAL POSITION:		
Assets	390,885	348,806
Shareholders' equity	200,958	192,313
Current ratio	1.9:1	2.2:1
Inventory turnover	4.8	5.0
Long-term debt (net of current portion) as a % of capital structure	21.7 %	22.5 %
SHAREHOLDER STATISTICS:		
Share price		
High	10.10	11.95
Low	7.00	8.10
Close	8.00	9.65
Weighted average number of common shares outstanding (000s)	15,395	15,143
Basic earnings per common share	0.89	(0.05)
Basic earnings per common share, before unusual items (net of taxes)	0.89	0.71
OTHER INFORMATION:		
Capital expenditures	26,646	14,874
Number of active plants	10	10
Number of active vessels	21	20
Number of active vessel service centres	3	3
Number of employees	3,400	3,400

**Reference should be made to the Company's consolidated financial statements, and notes thereto, contained herein. Expenses and EBITDA are defined in the Five-Year Financial Summary on page 45.*

Contents

Culinary research and development is one way FPI is adding value – from ocean to table. Featured above is FPI Executive Chef, Brian Halloran.

Corporate Profile

Fishery Products International ("FPI" or the "Company") is an integrated seafood company engaged in harvesting, processing, global sourcing, and marketing a wide selection of quality seafood products. We are creating value for our customers, employees, supply partners, and shareholders through our vast knowledge and keen vision of the seafood business and by building on industry best practices. We are a leading supplier of seafood to the North American foodservice market, and our vision is to be among the world's most valuable food companies. Working toward this goal, we are maximizing value and brand equity at every stage of the product process – from ocean to table.

FPI has two operating business units: the Marketing and Value Added Group and the Primary Group.

The Marketing and Value Added Group manages the Company's value added processing operations, global seafood sourcing, culinary research and development, and North American sales and marketing. This Group operates two processing facilities: one in Burin, Newfoundland and Labrador, and one in Danvers, Massachusetts. This Group is organized along two key market sectors – *Away From Home* and *At Home* – and markets value added, primary, and globally sourced seafood through a direct sales force (major offices in Danvers, Seattle, Toronto, and Montreal; and regional offices throughout North America) and an extensive broker network in the United States.

The Primary Group manages the Company's harvesting, primary processing, and international sales and marketing. This Group operates along five key product categories: groundfish, snow crab, sea scallops, cooked and peeled coldwater shrimp, and offshore shrimp. The Primary Group has eight processing plants in Newfoundland and Labrador and a fleet of groundfish, coldwater shrimp, and scallop vessels, and vessel service centres in Newfoundland and Labrador and Nova Scotia. This Group markets seafood to customers internationally through offices in Canada, the United Kingdom, Germany, and Asia.

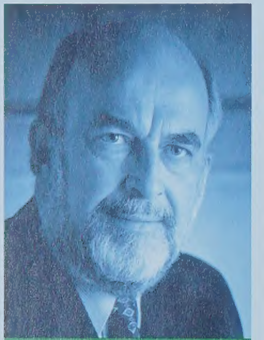
The Marketing and Value Added Group services the *Away From Home* and *At Home* market sectors.

The Primary Group is essentially FPI's fishing business.

Message from the Chairman of the Board

I am pleased to report on behalf of the Board of Directors ("the Board") of FPI. In May 2002, I was elected Chairman, when for the first time in the Company's history, the roles of Chief Executive Officer and Chairman were divided. It is an honor and privilege for me to serve as Chairman at a time of such positive change within FPI.

A new corporate culture exists at all levels within FPI. We are focused on our goal of growing FPI to become one of the most valuable food companies worldwide. With a new era of transparent operations, a renewed focus on corporate governance, and an open dialogue among all stakeholders, we are well on our way.



Rex C. Anthony

In fact, we are already seeing the results reflected in this past year's record successes. The Board set clear goals for the management team in 2002 and by year end returns in excess of our goals were achieved. The Board and the management team of FPI are committed to working together to build on these early results.

The mandate of the Board is to supervise the management of the business and affairs of FPI with the objective of enhancing shareholder value. With our new corporate governance structure in place, the Board is able to monitor the activities of the Company more independently; and board independence is further secured through a number of policies. For example, it is board policy that the Chief Executive Officer is the only member of management who can serve as a member of the Board. Also, at each regularly scheduled meeting, the Board follows the practice of holding discussions in the absence of the Chief Executive Officer and other members of management.

We have established four committees, independent of management, to oversee all areas of business. These committees are each chaired by a different external director, and include: Audit chaired by Eric F. Barratt; Growth and Investment chaired by Brendan J. Paddick; Resources chaired by James A. Good; and the Corporate Governance Committee which I am pleased to chair.

We are mindful of our responsibility to ensure the Board's mandate and processes are responsive to current corporate governance practices. To this end, we have recently completed a board effectiveness survey concerning matters such as board size, rotation of directors, and distribution of board functions. We will continue such efforts into 2003 and will keep you, the shareholders, apprised of any necessary modifications to board policy.

As the Company experiences improved financial results, we are enhancing shareholder value, rewarding you for your financial commitment. In keeping with this, in early 2003 the Board approved an increase in FPI's quarterly dividend payment to five cents per share for the first quarter of 2003.

Along with my fellow directors, I will continue to work diligently towards our goal of establishing FPI as one of the most valuable food companies in the global marketplace. In so doing, we will achieve our other aim, that of providing superior returns on investment for you, the shareholders.

Rex C. Anthony
Chairman of the Board

Message from the Chief Executive Officer

Last year FPI set a clear course for growth and improved financial performance; and we made a commitment to build a modern, efficient infrastructure that will support long-term success in our increasingly competitive, global industry. To get us there, we set our priorities, focused on our goals, and established a plan. While we still have far to go, the process is well underway. Our corporate structures and attitudes have evolved, and we are better positioned for the future than ever before. We are investing in capital assets and in our people. Together, we are navigating the course.

In 2002, everyone worked very hard to make FPI a success; and we made substantive progress along our course for growth. This past year, FPI generated significant earnings growth over 2001, achieved the highest annual revenues in the Company's history, and realized our highest gross profit since Atlantic Canada's groundfish resource crisis over a decade ago.

Last year we set the target to increase earnings per share over the 2001 earnings before unusual items of $0.71. I am pleased to report that with earnings per share of $0.89 in 2002, we achieved a 25% increase over our goal.

We also set a target of double-digit return on equity within two years of commencing capital investment. We have made great strides toward that goal, reaching 7% return on equity in 2002. While we had hoped to begin the capital investment program in support of revitalizing the primary groundfish operations this past fiscal year, we are confident that with the investment beginning in 2003, we are on course for double-digit return on equity by 2005.

Despite the fact that FPI has been starved of adequate capital investment for much of the past decade, the Company has a valuable portfolio of operating assets. We have entered a phase of prudently adding debt in order to fund necessary capital asset additions, and we believe that the end result will be improved return on equity. We have a solid infrastructure, highly skilled employees, and a global network. By investing now, we will gain more into the future. We remain committed to managing debt and financial leverage at a prudent level.

Derrick H. Rowe

Momentum to Date

Since the Board came together in May 2001, there has been a fundamental shift, company-wide, in the way we think about ourselves as a company and where we fit in the global industry. We have the people, the assets, and the shared vision to maximize return from existing assets and build growth. We are focused on providing a healthy return to shareholders, providing our customers with high quality products that represent excellent value, creating a work environment that respects and rewards contribution at all levels, and being ethical and responsible to all our stakeholders.

Last year your Board led this new direction. Today it is being embraced at all levels of the organization. A new culture of empowerment and accountability is extending from the trawler deck to the plant floor, from the boardroom to our representatives in the field internationally.

To accomplish this, we established two autonomous business units to run the day-to-day operations of the business – the Marketing and Value Added Group and the Primary Group. Then, we hired the best people to run these business units. Kevin Murphy leads the Marketing and Value Added Group with his extensive knowledge of the North American food industry and over 20 years of experience driving strategic corporate growth. Graham Roome leads the Primary Group, also with over 20 years of experience in his respective field – seafood harvesting and processing. Graham has a proven track record of expanding harvesting and processing beyond traditional methods and doing so with a solid team approach.

These leaders are experts in their fields, and we have entrusted them with the success of their units. With this autonomy, each is working to maximize every opportunity that presents itself.

Marketing Momentum

Kevin Murphy's group has focused on a lucrative sector, North American foodservice, and is working to distinguish FPI as this sector's seafood category leader. The vast potential of this sector, combined with the vast expertise of the Marketing and Value Added Group, create the growth vehicle of FPI.

The Marketing and Value Added Group is partnering with the foremost foodservice operators and is playing an integral role in our clients' business development. By being customer focused, our people are influencing what seafood ends up on the plates of more dining establishments in North America. We want to be the one-stop supplier that puts more FPI products on plates in more restaurants, hotels, airlines, and homes than ever before. To support this goal, we are securing supplies worldwide and are working at home with our new executive chef to develop successful menu items for our customers.

Primary Focus

The Primary Group is focused on maximizing the value of every piece of seafood we harvest or purchase from our suppliers. Reaching this goal will require significant capital investment, but we know the strong potential of the primary sector. In 2002, this Group successfully increased total sales by 14.1% to $267 million.

Under Graham's leadership, real progress was made in 2002 toward modernizing our primary business and operating at a competitive cost base. This past year, we worked hard to develop a relationship of trust with our Primary Group employees and the communities where we operate. We now have a shared vision for the future of our groundfish operations; and together with the Fish, Food and Allied Workers Union ("FFAW"), we have reached agreement to modernize these operations starting in 2003.

As a result of this progress, we have already announced a $27.8 million investment in our primary plant operations for 2003 and are currently developing a vessel replacement strategy for our groundfish fleet. The plant and fleet modernization programs are expected to significantly improve the financial performance of the Primary Group over the next two years, earning a healthy return on investment.

Building on Momentum and Experience

While 2002 held many successes, there were also some seemingly insurmountable obstacles. Throughout the process, however, the one thing we have not lost sight of is that you, the shareholders, deserve a better return on your investment. We faced a huge disappointment early in 2002 when we were not successful in receiving employee support for our initial modernization efforts. The resulting political outcry ultimately lead to legislative changes to the *FPI Act*. Now that this is well behind us, we have learned a great deal and have taken a completely new approach to change management.

In the second half of the year, we invested time and resources in a joint committee with the FFAW, and together we found a solution to move forward with revitalizing our primary groundfish operations. We accomplished this with good, old-fashioned hard work, showing respect for our employees and taking the time to educate all our stakeholders on what it would take for these operations to be competitive and succeed in the long-term.

Despite the challenges, there were a number of important milestones in 2002. It marked the first complete financial reporting year with our new operating structure. By clearly separating the two operating units, we have achieved unprecedented financial transparency, empowerment, and accountability within both the Marketing and Value Added Group and the Primary Group. This structure has yielded early results that are having immediate positive impacts on our bottom line, such as a higher quality in our landed catch and plant productivity improvements. We are confident we will improve on these developments. We are also engaged in a business review process that should further reduce overhead costs, improve productivity, and maximize our purchasing power across the entire company.

The transition to our new model is not complete, but we are well on our way. By the end of 2003, all the major components needed to take FPI to the next level should be in place. We still have a long way to go, but our priorities are simple. We will strive to maximize the potential of the assets and invest prudently to build on that foundation. We will lead the industry in customer service. We will work to reward our shareholders with improved returns on investment.

I was honored to become FPI's full-time CEO last May. Together with our first-class team, we will remain responsive, responsible, and dedicated to making FPI among the most valuable food companies in the world – for all our stakeholders. I look forward to building on the momentum we have already created together.

Derrick H. Rowe
Chief Executive Officer

Marketing and Value Added Group

The Marketing and Value Added Group has the clear mandate to grow FPI, and we are coming off a year of financial and operational milestones. Revenues were at a high of $474 million and gross profit increased by 12%. We are already top of our class as a supplier of quality seafood, but our goal is to become the undisputed category leader in the North American seafood business. We have a vision, a plan, and a very capable team; and we are well poised to accomplish this goal and more.

In this context, we have focused our efforts on our most attractive growth opportunity – the foodservice, or *Away From Home,* sector. More and more people are dining out, and this sector is growing exponentially. Already, we are a leading supplier of seafood to the North American foodservice market, and we want to be number one in a marketplace currently worth about U.S. dollars ("USD") $12 billion.

To accomplish this, we began with a mission statement that clearly defines the basis for our Group's strategic plan and supports our company-wide vision to be among the world's most valuable food companies. We are committed to:

- Responsibly managing the environment to ensure a sustainable seafood resource.
- Exceeding customer expectations with innovative, competitively superior products that provide exciting meal solutions for the *Away From Home* and *At Home* dining experience.
- Creating significant brand equity through customer-driven marketing and quality-first operations that add value from ocean to table.

With our mission firmly established, we began the process of examining what we already do so well and where we should build capacity to become the seafood category leader. To get us there, we engaged the foremost foodservice industry consultant in North America, who helped us identify the following initiatives to guide our strategic platform for 2002 and beyond.

1. Harness and leverage FPI's knowledge and resources to drive business – both for the customer and FPI.
   - FPI's competitive advantage lies in the breadth and depth of our knowledge and resources. Through our team of industry veterans, we market not only our products, but also our expertise.

2. Segment, concentrate, and dominate.
   - To best serve our clients, we must ensure we understand the nuances of each segment of the industry. With this understanding, we can concentrate our efforts on those segments where we have a competitive advantage and lead in that area to become number one.

3. Establish an organizational structure and processes to be customer focused.
   - Everything we do at FPI is focused on how to best serve the customer. By organizing resources and creating customer-facing business processes, we will make it even more convenient for our customers to do business with us.

4. Improve the infrastructure to ensure efficiency of operations – from ocean to customer service.
   - We will build on best practices throughout the industry and ensure that we have the infrastructure in place to make FPI truly customer-facing.

5. Establish the FPI brand as the standard for seafood category leadership in foodservice – a business-to-business brand.
   - Building brand equity is all about being a dependable partner in building business for our customers. We will set the industry standard by exceeding our customers' quality and service expectations.

Already, we are a leading supplier of seafood to the North American foodservice market, and we want to be number one in a marketplace currently worth about USD $12 billion. Leading this charge is COO Kevin Murphy, featured above meeting with customers in one of FPI's casual dining chain accounts.

With our strategic initiatives clearly outlined, our organization, culture, and practices began to evolve. We set our sights on being the industry's premier customer-facing sales organization.

The first step in this process was to realign our people to better fit our customer base. We restructured sales and marketing into channels that closely matched our key customer environment, including: *Away From Home*, *At Home*, *Fresh Sales*, and *Ingredient Sales*.

Marketing Channels

Away From Home refers to food prepared outside the home. Our customers in this sector include foodservice operators in multiple segments, broadline foodservice distributors, and specialty seafood distributors.

At Home refers to food that consumers prepare in the home. Our customers in this sector include supermarkets and club stores.

Fresh Sales efforts are aimed primarily at chain restaurants that are looking for reliable, consistent quality in each of their operations. We are working to be North America's local fish market.

Ingredient Sales efforts are fulfilling the seafood ingredient requirements of a previously untapped customer group – other food manufacturers.

We brought leadership on board from other best-in-class food companies to direct our sales and marketing efforts. David Strathern joined the FPI team as Vice President Sales to lead this charge. David has over 20 years of experience in foodservice sales management and is quickly advancing our goal to become category leader.

At FPI, we have the most experienced culinary research and development team in the industry, with more than 100 years of collective experience. In 2002, we expanded our capacity by hiring Executive Chef Brian Halloran. Brian is the recipient of the prestigious National Restaurant Association Ivy Award, bestowed annually on the top chefs in the United States. Brian will lead product development efforts, assist sales both in the field and from our new demonstration kitchen, and work with customers to develop menu solutions that will grow their business, and ours.

In 2002, we also worked harder to build relationships with key distributors and reorganized our customer focus and sales responsibilities so that we are better aligned with the top 400 foodservice operators.

We also invested in technology to increase efficiency and enhance our customer service. Our computer systems now interface through a new Enterprise Resource Planning Operating System. From inventory, to sales, to invoicing, all systems are updated in real time, enabling us to better manage our business and better service our customers. This new system will also allow for the development of an Extranet, where customers can securely log on to their accounts via the Internet to track the status of all aspects of their business with FPI.

We acquired another tool to build on FPI's expertise in the foodservice sector and allow us to deliver on the promise of our new tagline: We Catch Customers...For You. We invested in the top market research available to the North American food industry. With this information in hand, we are advising our customers on consumer trends, emerging issues, and areas with the greatest potential to grow their business. We use a similar service in Canada with solid results.

With the help of our newly-appointed communications agency, we are telling our story industry-wide. We are regularly advertising in key operator publications to get our new message to the right audiences. Through targeted, highly-visible communications, we are building the FPI brand as the standard for seafood category leadership.

While a huge portion of our efforts are focused on the foodservice sector, there is much more happening in the Marketing and Value Added Group. In keeping with our commitment for continual improvement, we have made significant investments in our two value added processing facilities in 2002.

We invested over $1.7 million in our Burin, Newfoundland and Labrador facility - the single largest investment since the plant opened in 1987. The most notable new equipment is a process freezing system for additional throughput and increased efficiencies. Also in 2002, we converted 15,000 square feet of on-site freezer space at our Danvers, Massachusetts plant to a finished-goods packaging area. Our nearby freezer/distribution facility will accommodate the cold storage requirements of the Danvers plant.

We are also nurturing new business at the retail level having increased sales and marketing efforts in this area in 2002. Expanding the retail sector is an important long-term goal for FPI, and already we are making progress. Perhaps the most notable Canadian example in 2002 is the Sea Cuisine brand launch. We introduced three high quality prepared entrees aimed at the more discriminating seafood consumer. Plans are in the works for two additional items to be added to the line in early 2003.

In the U.S., we finalized negotiations with Jimmy Buffet's Margaritaville Holdings Company to be the exclusive licensee in North America for a retail line of Margaritaville brand frozen packaged shrimp products. These products will put the best selling signature shrimp items served in the highly successful Margaritaville restaurants in supermarkets so consumers can enjoy them at home.

At the heart of our business is the supply of seafood raw material, and at FPI we take very seriously the need to secure a reliable seafood supply for the long-term. We are building and maintaining relationships with international supply partners in nearly 40 countries worldwide. This enables us to consistently offer the highest quality and broadest selection of seafood to our customers.

We are not only working with these partners to secure supply. We are also working with them to encourage their progress in social responsibility, food safety, and environmental stewardship. We are actively collaborating with third-party, internationally-recognized auditing organizations that utilize standardized scoring systems to monitor compliance in these areas.

The Marketing and Value Added Group also represents FPI in a number of organizations such as the National Fisheries Institute in the U.S., Ocean Trust, the Global Aquaculture Alliance, and the Aquaculture Certification Council. Through such efforts, we are advancing environmentally and socially responsible aquaculture and harvesting and bringing fisheries management issues to the forefront with a unified voice.

During 2002, we gathered the tools and expertise needed to maximize the opportunities ahead. With our collective experience, knowledge, and commitment to quality and customer service, we are well on our way to realizing our goal of seafood category leadership in North American foodservice and are supporting FPI's corporate vision to be among the world's most valuable food companies. Together we will continue to build on the momentum of this past year. I am excited about the future of the Marketing and Value Added Group because the possibilities, like the horizon, are endless.

Kevin B. Murphy

Kevin B. Murphy
Executive Vice President
Chief Operating Officer – Marketing and Value Added Group

In [illegible], we will make capital [illegible] increase our global competitiveness, better utilize raw material supply [illegible] opportunities. Featured above is [illegible] Graham Roome with me[illegible] FFAW Joint Groundfish Committee.

Primary Group

This past year has been one of change, opportunities, and unprecedented commitment by both management and employees to improve the long-term success of the Primary Group. We have gained a new appreciation of how our operations fit within the context of our international industry. In 2002, we've taken the first steps toward our mandate to maximize benefit from existing assets, establish an acceptable cost base, and ultimately achieve a good return for you, the shareholders. We have set the target to double our gross profit contribution within two to three years and, while it will take hard work and significant capital investment, we are committed to making it happen.

Our goal is to be global leaders in seafood harvesting, processing, and marketing; and we have a plan to take us there. We will offer our customers high quality seafood at competitive prices, develop international markets for Atlantic Canadian seafood, and lead the Company's fisheries management initiatives. We will grow our business by investing in areas that have strong growth potential and will modernize all aspects of our business in terms of quality and process improvements.

In fact, the momentum has already begun. In 2002, the Primary Group made considerable progress within our crab, coldwater shrimp, and groundfish operations. From a sales perspective, the Group's total revenues increased by 14.1% to $267 million. More than 65% of our business was generated with shellfish sales, and almost 30% came from groundfish sales. Other sales consisted of a wide array of products including pelagics such as mackerel.

We have established a new way of doing business within the Primary Group of FPI. We have embraced an era of open dialogue with our employees and the communities in which they live, we have sought to create transparency in our operations, and we have learned that change takes time. As a result, the Primary Group is well positioned to seek and respond to opportunities for success in the years ahead.

Crucial to this success is ensuring the long-term competitiveness of our groundfish operations. Together with our employees, joint efforts toward this goal began in earnest in May of 2002. While we faced some setbacks, we reached agreement that will facilitate the modernization of our groundfish operations.

The process advanced due to the efforts of the FPI/FFAW Joint Groundfish Committee. This Committee was comprised of senior union executives, the presidents of each of our groundfish plant locals, and management from the Primary Group. We examined the industry, from ocean to table, including raw material supply, harvesting techniques, processing trends and technology, and current markets. We wanted to establish a shared understanding of the competitive global marketplace and to learn from best practices. To get there, the Committee reviewed profitable groundfish operations in Iceland, Denmark, and China.

We gained and shared knowledge during this process, which provided a solid base for open, frank discussions about what we would need to do as a company to ensure competitive operations in the long-term. Armed with this knowledge of best practices, we worked toward our common goal; and in January 2003, we reached a memorandum of understanding on how we would proceed with investing in our groundfish vessels and plants. Some 93% of the employees supported this agreement.

As a result, we are now able to begin our groundfish modernization. In 2003, we will make capital investments of approximately $20 million in our groundfish plants. This is a significant investment that will increase our global competitiveness, better utilize our raw material supply, and stabilize employment

opportunities. It is our aim that it will also lead to double-digit return on equity by 2005. At the plant level, the majority of the investment will be in advanced freezer and flow line technology. We are also looking at new vessels that will increase the landed value of our catch and ensure a better quality of life at sea for our crewmembers.

With these investments, we will be increasing our total primary groundfish raw material base by approximately 40%, as new infrastructure will enable us to produce products that had not previously been economically viable. Our modernization plans will increase productivity and broaden production capabilities, making FPI even more competitive.

Product Category Highlights

The Primary Group manages the Company's harvesting and primary processing operations along five key product categories: groundfish, crab, sea scallops, cooked and peeled coldwater shrimp, and offshore shrimp.

Groundfish

- Participating in the Atlantic Canadian offshore groundfish fishery, primarily harvesting flounder, sole, cod, turbot, and redfish.
- Operating a fleet of groundfish vessels and three groundfish processing plants in Marystown, Harbour Breton, and Fortune, Newfoundland and Labrador.
- Holding 89% of the yellowtail flounder total allowable catch.
- Purchasing groundfish from hundreds of independent harvesters around Newfoundland and Labrador.

Crab

- Purchasing product from hundreds of inshore harvesters.
- Operating two crab processing facilities in Bonavista and Triton, Newfoundland and Labrador.
- Marketing and sales agent for, and member producer of, Atlantic Queen Seafoods – a consortium of six crab processors throughout Eastern Canada.
- Marketing crab under the Luxury label.

Sea Scallops

- Increasing harvesting efficiencies with new frozen-at-sea scallop processing vessel, *M.V. Atlantic Destiny*.
- Holding 17% of the offshore sea scallop quota in Canada.
- Operating fleet of scallop vessels from Riverport, Nova Scotia.

Cooked and Peeled Coldwater Shrimp

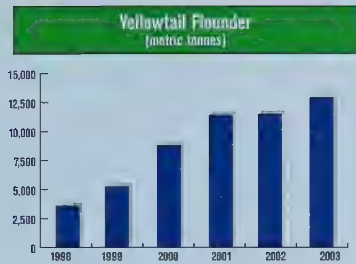
- Operating two coldwater shrimp processing plants in Port Union and Port aux Choix, Newfoundland and Labrador.
- Purchasing over 30% of the inshore shrimp landings in Newfoundland and Labrador from hundreds of inshore harvesters.
- Marketing and sales agent for over 60% of the cooked and peeled coldwater shrimp generated from Canada's northern shrimp resource.
- Marketing cooked and peeled coldwater shrimp under the FPI Ice Shrimp brand.

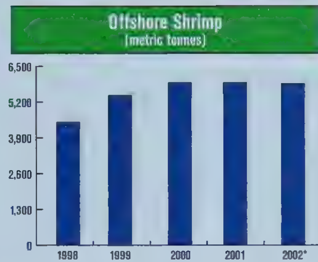
Offshore Shrimp – Shell-on Coldwater Shrimp

- Holding two of the 17 offshore northern shrimp licenses in Canada.
- Harvesting northern shrimp offshore with frozen-at-sea shrimp processing vessel, *Newfoundland Otter*.
- Holding 25% ownership in Katsheshuk Fisheries, a joint venture between FPI, Coastal Labrador Fisheries Limited, and the Innu Nation of Labrador.

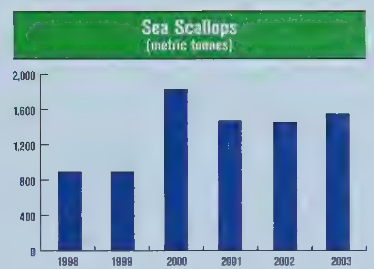
Strong Primary Resource Base

The following charts indicate FPI's share of the total allowable catch of yellowtail flounder, offshore shrimp, and sea scallops:





(* 2003 levels to be set in the spring.)



The Primary Group is involved in the Atlantic Canadian seafood industry on three distinct levels. Beyond processing and then marketing the seafood we harvest and the raw material we purchase from other harvesters, we also market other processors' Atlantic Canadian seafood products.

In fact, in 2002, FPI marketed more Atlantic Canadian seafood to more customers worldwide than in any other year since the onset of the groundfish moratorium over ten years ago. We also reached a number of market development milestones, including market expansion throughout Eastern Europe, a record year in crab and cooked and peeled coldwater shrimp sales, the launch of retail shell-on coldwater shrimp in North America, and the introduction of turbot products to the North American marketplace that had been exclusive to our Asian business.

We have also grown our market presence through marketing agreements with other seafood processors. Not only are we the exclusive marketing and sales agent for Atlantic Queen Seafoods, a consortium of crab producers in Eastern Canada, but we also have joint marketing agreements with other coldwater shrimp processors in Newfoundland and Labrador. These agreements have been successful on a number of levels, from increasing our sales and promoting our FPI Ice Shrimp brand to ensuring an even more favourable return on our marketing investments. Market development and expansion through joint agreements with other seafood processors will continue to grow our business in 2003 and beyond as we build upon our leadership role in marketing Atlantic Canadian seafood.

Central to our success is a strong resource base and the three species that drive the majority of our gross profit (yellowtail flounder, offshore shrimp, and sea scallops) have very positive outlooks. Also, our supply of these three species is exclusively generated from FPI harvested quota. The strength of these *assets in the water* has secured our supply and enables us to confidently invest in our fleet operations. Our new scallop vessel, *M.V. Atlantic Destiny*, began operation in the fall of 2002 and has led to quality and efficiency improvements through increased harvesting capacity and the technology to freeze our scallops within hours of the catch.

Building on our strengths is essential for progress, and we have stepped up research and development as it relates to our primary seafood products. We now have a senior position dedicated to applied research and value creation, looking at ways to make maximum use of our seafood raw material. We are opening our minds to the possibilities, engaging in yield enhancement projects, shifting raw material to higher margin products, and, for the first time, looking at producing seasoned, marinated, and glazed products in some of our primary processing plants. Innovative research and development is helping us hone our competitive edge in an increasingly competitive marketplace.

We must also work to ensure our supply of raw materials is available into the long-term. FPI has long been committed to advancing applied fisheries research and sustainable harvesting practices throughout the industry. In 2002, the Primary Group worked closely with Fisheries and Oceans Canada on a number of harvesting selectivity projects. This past year our at-sea research focused primarily on reducing American plaice bycatch and juvenile redfish in our yellowtail flounder and redfish fisheries, respectively. Selectivity projects will continue to be a priority in 2003, particularly within our yellowtail flounder fishery where mixing can occur with American plaice, a species that is still under moratorium.

This past spring we voluntarily placed our yellowtail flounder harvesting plan on hold until the fall, after our captains observed higher amounts of American plaice within the traditional yellowtail flounder fishing zones. This mixing is expected to continue to be an issue for 2003, but through selectivity projects, new harvesting gear, and by redirecting harvesting efforts to alternative fishing zones and alternative periods within the season, we are committed to ensuring our harvesting efforts are in compliance with conservation measures.

The nature of primary seafood harvesting and processing is continually changing, and we must be responsive to those changes in order to secure our place in the global seafood business. We will build on our capital and operational plans to increase our competitiveness and maximize the value and potential of our products. We will continue to invest in our plants, vessels, and, most importantly, our people, so that together we are able to meet the challenges ahead.

Graham M. Roome
Executive Vice President
Chief Operating Officer – Primary Group

Financial Information

Management's Discussion and Analysis

This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. All amounts are in Canadian dollars ("CAD") unless otherwise indicated.

OVERVIEW

Fishery Products International ("FPI" or the "Company") is an integrated seafood company engaged in harvesting, processing, global sourcing, and marketing a wide selection of quality seafood products. Headquartered in St. John's, Newfoundland and Labrador, Canada, the Company enjoys broad market reach in many food business sectors. Through two business units, the Marketing and Value Added Group and the Primary Group, FPI markets value added, primary, and globally sourced seafood to foodservice, retail, and industrial customers throughout North America, Europe, and Asia and is a leading supplier of seafood to the North American foodservice market.

FPI stock has traded on The Toronto Stock Exchange and has been 100% owned by private investors since 1987, when the Company was privatized through an initial public offering of common shares. FPI is subject to the *Fishery Products International Limited Act: An Act Respecting the Return of the Business of Fishery Products International to the Private Sector (the "FPI Act")*, which was amended on March 14, 2002. Information pertaining to the *FPI Act*, and a detailed summary of the Company's corporate development, are available in the Company's 2002 Annual Information Form.

In May 2001, a new Board of Directors was elected by the shareholders of FPI, with the mandate to increase shareholder value through selective growth, an efficient business model, and solid financial performance. Today, the Company's vision is to be among the world's most valuable food companies by maximizing customer value and brand equity at every stage of the product process – from ocean to table.

An important first step in this process was the Company's reorganization in July 2001 into a decentralized operating structure with two distinct business units (the Marketing and Value Added Group and the Primary Group) and a central support unit (the Corporate Group). The Company now conducts its business through this structure – a structure that supports a customer and product management focus, decentralized decision-making, and financial transparency. Both business units have specific activities and mandates with the common goal of providing the best products and value to all FPI customers.

The Marketing and Value Added Group manages the Company's value added processing operations, global seafood sourcing, and culinary research and development, and is also the Company's North American sales and marketing arm, marketing primary, value added, and globally sourced seafood products to customers throughout Canada and the United States.

The Marketing and Value Added Group is headquartered in Danvers, Massachusetts; employs approximately 650 people; operates a major distribution centre in the United States; and markets its products through a direct sales force (major offices in Danvers, Seattle, Toronto, and Montreal; and regional offices throughout North America) and an extensive broker network in the United States. This Group also operates the Company's two value added processing plants (Danvers, Massachusetts, United States, and Burin, Newfoundland and Labrador, Canada). Value added processing means adding ingredients such as breading, batter, glazes, sauces, and vegetables to seafood, thereby enhancing value. This Group sources approximately one quarter of its seafood raw material for value added processing from the Primary Group and, as such, the Company negotiates the purchase of these products based on fair market pricing and best use of seafood raw material.

A full-service supplier to the North American marketplace, the Marketing and Value Added Group markets a vast array of seafood products primarily in the *Away from Home* and *At Home* markets. FPI's *Away from Home* customer channels include foodservice operators in multiple segments, broadline foodservice distributors, and specialty seafood distributors. The Company's *At Home* customer channels include supermarkets and club stores.

The Primary Group manages the Company's harvesting, primary processing, and international sales and marketing and operates along five key product categories – groundfish, snow crab, sea scallops, cooked and peeled shrimp, and offshore shrimp.

Headquartered in St. John's, Newfoundland and Labrador, the Primary Group employs approximately 2,650 people in Atlantic Canada; manages eight processing plants in Newfoundland and Labrador; operates a fleet of groundfish, coldwater shrimp, and scallop vessels and vessel service centres in Newfoundland and Labrador and Nova Scotia, and has offices in Canada, the United Kingdom, Germany, and Asia. The Primary Group's operations encompass the harvesting, sourcing, processing, and marketing of groundfish (such as flounder, sole, cod, turbot, and redfish) and shellfish (such as coldwater shrimp, snow crab, and sea scallops). It includes the processing of fish and shellfish into premium-quality, market-ready products and also seafood raw material for value added processing.

In addition to its harvesting operations, the Primary Group purchases groundfish and shellfish raw material from hundreds of independent harvesters throughout Newfoundland and Labrador and also sources groundfish raw material from the Marketing and Value Added Group's global sourcing operations. This globally sourced, semi-processed groundfish is purchased in the form of blocks and portions and is further processed at the Primary Group's groundfish plants.

Global sourcing of finished product involves either the purchase and resale, or the sale on a consignment basis, of a wide variety of market-ready seafood. Warmwater shrimp represents FPI's highest volume product in this category. Others include red king crab, scallops, salmon, lobster, and groundfish.

BUSINESS STRATEGY

FPI has the people, the assets, and the shared vision to be one of the most valuable food companies in the world. This vision includes enhancing returns to shareholders, providing customers with high quality products that represent excellent value, creating a work environment that respects and rewards contribution at all levels, protecting the ocean environment through sustainable harvesting practices, and being ethical and responsible to all the Company's stakeholders. Working towards this vision, each of the Company's two business units has distinct activities and mandates, but each shares the underlying goal to create value by delivering quality products and customer service to the Company's entire customer base.

The Marketing and Value Added Group is FPI's growth vehicle and this past year has structured its sales and marketing organization to drive this growth. In 2002, this Group increased its commitment to becoming North America's seafood category leader, brought new sales and marketing leadership on board with experience from other best-in-class food companies, invested in culinary research and development, and restructured sales and marketing to closely mirror its key customer environment – with the new *Away from Home* and *At Home* market channels.

The Primary Group is working to maximize benefit from existing assets, establish an acceptable cost base, and achieve an acceptable return on capital. In order to accomplish this, the harvesting and primary processing operations will require significant investment and the Primary Group is focusing investment in areas that have strong growth potential and focusing on modernization efforts that offer quality and process improvements. Going forward, Primary Group margin enhancements will be driven by targeted investment, maximizing benefit from every piece of seafood raw material, and working to ensure all aspects of the primary business are competitive.

The Company continues to realize positive incremental results from streamlining initiatives, which began in 2001 and continued into 2002. The incremental savings associated with these initiatives are expected to continue to be realized in future results. These initiatives included the consolidation of the Corporate Group's Treasury functions at FPI head office in St. John's, operational restructuring, strategic marketing initiatives, and product pack mix changes in both business units. The incremental savings from these initiatives realized in 2002 have been offset by expenses resulting from consulting fees pertaining to legislative review of the *FPI Act* in early 2002, and the settlement of certain change of control contracts in the second quarter of 2002.

Groundfish Operations

A major focus for the Company is improving the Primary Group's groundfish harvesting and primary processing operations. Following the Company's corporate restructuring in July 2001, a Company taskforce was established after an internal financial analysis revealed that the groundfish operations were incurring significant annual losses. The resulting taskforce analysis identified a number of fundamental changes that would be necessary in order for the Primary Group's groundfish business to be economically viable and competitive in the long-term. To this effect, in early 2002 the Company presented employees with an investment plan to revitalize these operations. This plan, however, was strongly opposed by employees. As a result, a joint committee – the FPI/Fish, Food and Allied Workers Union ("FFAW") Joint Groundfish Committee – was established to undertake this effort.

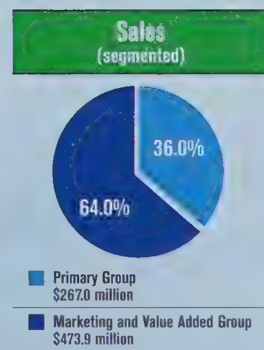
In order to establish a shared understanding of the competitive, global industry and to identify successful business models for FPI's groundfish operations, this committee of senior union and management representatives examined the industry from raw material supply, harvesting techniques, processing trends, and market demands. Part of this process was to visit profitable, efficient plants internationally. This initiative proved a solid base for discussions; and, in January 2003 a memorandum of understanding was reached on how to proceed with investments in the groundfish vessels and plants. In 2003, subject to finalization of collective bargaining, the Company will make capital investments in its groundfish plants and fleet that are expected to enable the Primary Group to increase its global competitiveness, better utilize its raw material supply, and stabilize employment opportunities.

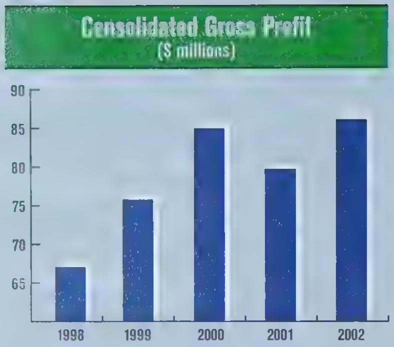
CONSOLIDATED SALES AND GROSS PROFIT

For the year ended December 31, 2002, FPI earned net income of $13.8 million ($0.89 per share) on sales of $740.9 million. This compares to a net loss of $0.7 million on sales of $703.1 million in 2001. In 2001, the Company recorded unusual items, net of taxes of $11.5 million. The current year's results exceeded the prior year's net income before unusual items by $3.0 million.

FPI's 2002 revenue was the highest in the Company's history. FPI reported sales for the year ended December 31, 2002, of $740.9 million, an increase of $37.8 million, or 5.4% over the prior year. This increase is attributable largely to increased sales in the Primary Group. Sales of $267.0 million reported by the Primary Group reflect an increase of $33.0 million or 14.1% over the prior year. The Marketing and Value Added Group's sales of $473.9 million increased by $4.7 million or 1.0% over the year ended December 31, 2001.

The Company's gross profit for the year ended December 31, 2002, was the highest gross profit realized since Atlantic Canada's groundfish resource crisis over a decade ago. Gross profit of $86.1 million for the year ended December 31, 2002, increased by $6.4 million, or 8.0% over the $79.7 million reported in 2001. This increase in gross profit is a result of improved margins in the Marketing and Value Added Group. Gross profit increased in this division by $6.5 million, or 12.4% over the prior year. Gross profit as a percentage of sales for the Marketing and Value Added Group is 12.4%, an increase of 1.2 points over the 11.2% realized in the prior year.





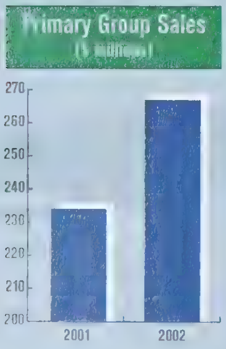
Gross profit as a percentage of sales for the Company is 11.6%, slightly higher than the 11.3% level realized last year. The large improvement in margins in the Marketing and Value Added Group was offset by decreased margins throughout the year in the Primary Group. The Primary Group's gross profit as a percentage of sales for 2002 is 10.2% as compared to 11.7% in the prior year.

BUSINESS SEGMENTS

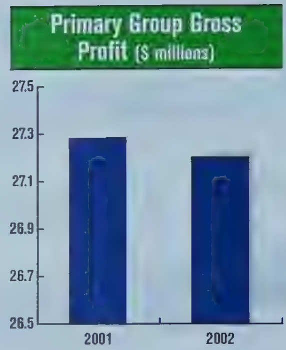
The Primary Group Sales and Gross Profit

The Company's Primary Group is responsible for harvesting, primary processing, and developing international markets. The Group sells internally harvested and processed, as well as globally sourced, seafood. The Primary Group's sales consist of shellfish and groundfish species.

Sales in the Primary Group for the current year totaled $267.0 million, an increase of $33.0 million, or 14.1% over 2001. This increase is a result of increased crab and groundfish sales in the first three quarters of the year. It is also attributable to increased volumes of cooked and peeled shrimp sales in the second half of 2002. Scallop sales in the fourth quarter also contributed significantly to the total sales.



Crab sales during the first nine months of 2002 increased over the same period last year as a result of higher volumes of crabmeat and sections. Despite a voluntary early closure of the yellowtail flounder fishery due to higher than average by-catch levels of American plaice, a moratorium species, increased volumes of flatfish and increased selling prices of perch and turbot contributed to groundfish sales exceeding the prior year. Increased sales of cooked and peeled shrimp in the third and fourth quarters of the year contributed to a sales volume for this product of more than double that of the prior year. Scallop sales volumes and selling price had been down significantly for the first nine months of 2002. However, both rebounded significantly in the last quarter to achieve revenues and volumes for the year that were close to the levels of 2002.

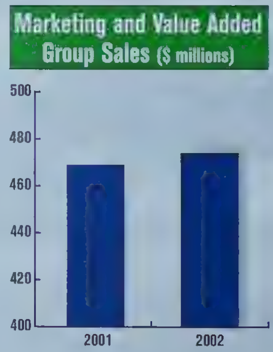


The Primary Group contributed $27.2 million toward the Company's total gross profit for the year, which is consistent with the $27.3 million for the year ended December 31, 2001. Gross profit as a percentage of sales at 10.2% is down significantly from the 11.7% level for the prior year. This reduction in gross margin as a percent of sales is mainly due to decreased gross profit on crab sales resulting from higher cost for procurement of crab as compared to last year. Additionally, the Primary Group sales mix in the crab category shifted to more sales volume of low margin crab meat versus higher margin crab sections compared to the prior year. The reduced average selling prices of scallops during the third quarter was also a contributing factor to lower margins. These sources of gross profit decreases were somewhat offset by increased margins on flatfish as a result of lower average costs on this product.

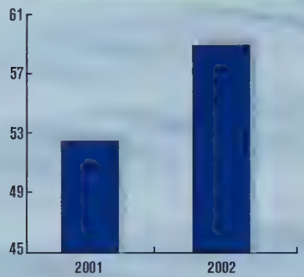
The Marketing and Value Added Group Sales and Gross Profit

The Company's Marketing and Value Added Group is responsible for sourcing customer requirements for seafood from domestic and international supply partners, adding value to seafood through further processing and ensuring FPI seafood is on more plates, in more places, through more channels.

Sales in this group for the current year totaled $473.9 million as compared to $469.2 million for the year ended December 31, 2001, an increase of $4.7 million, or 1.0%. This increase is attributable to increased volumes of value added groundfish, increased demand for warmwater shrimp, particularly in the second quarter of the year, and increased lobster sales in the third quarter.



Marketing and Value Added Group Gross Profit ($ millions)



The Marketing and Value Added Group contributed $58.9 million toward the Company's total gross profit for the year. This contribution is $6.5 million higher than the $52.4 million achieved in the prior year. Gross profit as a percentage of sales of 12.4% compares to 11.2% for the year ended December 31, 2001, an increase of 1.2 percentage points. This increased gross profit is primarily due to favorable warmwater shrimp costs, which have had a positive impact on both the value added and globally sourced business during the year.

COMMISSION INCOME

Commission income for the current year was $3.6 million, an increase of $0.6 million, or 20.0% over the $3.0 million of 2001. This increase is a result of increased volumes of crab sales.

ADMINISTRATIVE AND MARKETING EXPENSES

Administrative and marketing expenses for the year ended December 31, 2002, increased by $4.7 million from $47.8 million in 2001 to $52.5 million in 2002. Of this increase $3.7 million is a result of a number of factors, which include: aborted acquisition costs, consulting fees pertaining to a review of the *FPI Act*, settlement of change of control contracts and severance costs resulting from streamlining initiatives in the first half of the year, and increased information technology consulting for ERP system implementation. In addition to the above specific expenses, the Company did experience significant increases in business operations insurance premiums and undertook new sales and marketing initiatives.

INTEREST EXPENSE

Interest expense decreased by $1.0 million from $6.8 million in 2001 to $5.8 million in 2002. This reduction was primarily due to declining market interest rates in relation to FPI's floating rate debt.

UNUSUAL ITEMS

The Company incurred no unusual items for the year ended December 31, 2002. Unusual items for the year ended December 31, 2001, were as follows:

(dollars in thousands)		
Proxy contest costs	$	2,866
Severance costs		6,484
Write-down of investment in joint venture		2,329
Write-off of deferred acquisition costs		1,868
Write-down of capital assets		662
Other		334
	$	14,543

Proxy contest costs of $2.9 million represent expenses to the Company for the proxy contest that occurred prior to electing the Board of Directors at the Company's Annual Meeting of Shareholders on May 1, 2001. Costs of $1.45 million were incurred by the former management and directors of the Company in the proxy solicitation process. Upon approval of the Board, the Company reimbursed Clearwater Fine Foods Inc., a shareholder of the Company, costs of $1.45 million that it incurred on behalf of the new Directors. This amount reimbursed to Clearwater Fine Foods Inc. did not represent its total cost incurred in the proxy contest. The Board capped the reimbursement to Clearwater Fine Foods Inc. so as not to exceed the total cost which the previous board and management incurred in the proxy contest. These costs consisted primarily of legal, investor relations, and media expenditures.

Following May 1, 2001, the Company recorded a charge of $4.4 million for contractual termination benefit costs approved by the previous board for five former senior officers. These charges resulted from change of control contracts being triggered. These contracts were put in place by the previous board and management and provided for payments of specified amounts to 22 employees under contract should a defined change of control occur. Also included in the severance costs was a provision of $2.1 million for streamlining management and administrative functions. As of December 31, 2001, there were 11 remaining employees under contract who were eligible to claim severance in the event of a change in individual role and responsibility for a period of two years following May 1, 2001. As of December 31, 2002, there is one remaining employee under this type of contract.

Included in the unusual items is the write-down of the Company's investment in International Fish Protein Limited, a joint venture, which had a carrying value of $2.3 million in the consolidated financial statements of the Company. During 2001, the joint venture partners agreed to dismantle the idle facility and dispose of the joint venture's net assets. The Company does not expect to recover its investment in the joint venture and, therefore, has written it down.

Subsequent to the 2001 year end, the Company announced that it would not proceed with the acquisition of Clearwater Fine Foods Inc. The Company reached an agreement with Clearwater Fine Foods Inc. to share equally in the acquisition costs incurred. The Company's portion of costs incurred of $1.9 million was charged to 2001 income as part of the unusual items.

INCOME TAXES

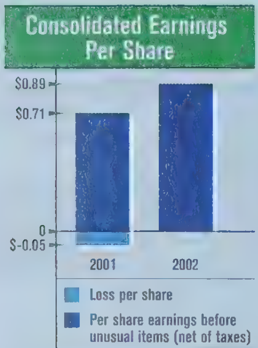
Income tax expense of $7.8 million for the year ended December 31, 2002, increased by $3.4 million as compared to the prior year.

For the year ended December 31, 2001, the income tax expense of $4.4 million was comprised of an income tax expense of $7.4 million related to income from operations, and an income tax recovery of $3.0 million related to the unusual items reported during 2001.

The effective tax rate for the year ended December 31, 2002, decreased to 36.0% from 118.7% for the year ended December 31, 2001. Excluding the impact of the unusual items reported in the prior year, the effective tax rate for the year ended December 31, 2001, as a percentage of income from operations, was 40.8%.

The effective income tax rate is determined by the mix of earnings in the countries in which the Company operates.

NET INCOME



The Company reported net income of $13.8 million and earnings per share of $0.89 for the year ended December 31, 2002. The net loss for the year ended December 31, 2001, was $0.7 million and the loss per share was $0.05. Excluding unusual items from the prior year to date results indicates FPI's net income of $13.8 million exceeded the net income before unusual items of $10.8 million last year by $3.0 million or 28%. The increased net income was, as discussed above, a result of significantly improved revenues and margins partially offset by increased operating costs.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The Company generated $24.1 million in operating cash flow (before changes in non-cash working capital) for the year ended December 31, 2002, a significant increase of $15.1 million over the $9.0 million provided by operations during the prior year. This increase is primarily a result of the increase in net income year over year. Changes in non-cash working capital balances decreased cash provided by operating activities by $18.2 million during the year, such that net cash applied to operating activities was $5.9 million.

FPI maintains a high degree of liquidity and a prudent level of debt in its capital structure. The 2002 year end balance sheet indicates a strong financial position with working capital of $116.3 million and a current ratio of 1.9:1. This compares with working capital of $116.4 million and a current ratio of 2.2:1 at the end of 2001.

The Company's balance sheet at December 31, 2002, reflects net bank indebtedness of $56.8 million, an increase of $14.3 million over the balance of $42.5 million at the end of the prior year. This increase results primarily from carrying higher levels of inventory and accounts receivable. It is partially offset by the higher levels of accounts payable and accrued liabilities outstanding at year end.

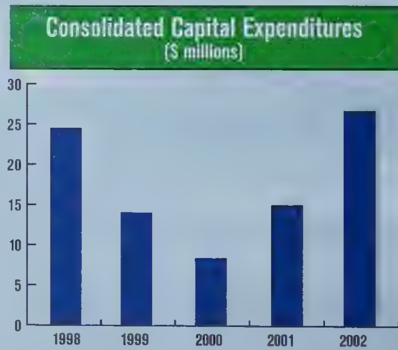
The Company ended the year with inventories at $145.8 million, 13.0% higher than the 2001 balance of $129.0 million. At year end, the Company held a significantly higher balance of globally sourced Asian shrimp as compared to the prior year. This is primarily attributable to two factors: the dockworkers strike on the West Coast of the U.S. which slowed down the importation process and backed up product in port; and, more stringent FDA inspections, lengthening the time between order and receipt of product. These factors have necessitated an increase in product held at year end to ensure adequate supply to meet customer demand. This increase was partially offset by a decrease in the balance of crab as compared to the prior year. The decrease in crab inventory resulted from significantly improved sales of crab in the fourth quarter of 2002. Consolidated inventory turnover was 4.8 times as compared to 5.0 times in the prior year.

Accounts receivable of $86.5 million as at December 31, 2002, increased 8.0% from $80.0 million at December 31, 2001. The increase in accounts receivable year over year is primarily a result of increased sales near year end. Sales in the fourth quarter of 2002 showed an improvement of $12.0 million, or 6.3% over the fourth quarter of 2001. Consolidated days sales outstanding was 32.5 days as compared to 32.3 days in the prior year.

Accounts payable and accrued liabilities increased from $45.9 million to $54.0 million, an increase of $8.1 million year over year. The increase in accounts payable and accrued liabilities is largely a result of increased global sourcing of product near year end. It is also a result of improved payment terms for procurement of certain products.

Investing Activities

Capital expenditures in 2002 were $26.6 million compared with $14.9 million in 2001. The increase in expenditures year over year is largely a result of the purchase of a new scallop vessel, *M.V. Atlantic Destiny*. The Company has also invested significantly in plant equipment and renovations during the year. An upgrade to the value added production facility in Burin was also a significant expenditure during the year.



At December 31, 2002, there was $1.8 million in outstanding commitments required for various ongoing capital projects.

The 2003 capital program will be funded by internally generated cash flow, as well as external financing for specified projects.

Financing Activities

FPI's overall capital structure remains strong with 21.7% of its capital funded by long-term debt (excluding current portion) as of December 31, 2002, as compared to 22.5% as of December 31, 2001. Long-term debt (excluding current portion) at December 31, 2002, totaled $55.6 million compared with $55.8 million at the 2001 year end. External financing of $14.5 million during 2002 was used to fund the purchase of the *M.V. Atlantic Destiny*. This increase to long-term debt is offset by scheduled repayment of debt during the year. FPI's total debt (short-term, long-term, including current portion) at December 31, 2002, increased by $25.4 million from the 2001 year end position. This is primarily a result of the purchase of the new vessel and increased working capital funding as compared to the prior year.

At December 31, 2002, the Company's total debt was denominated as follows: U.S. dollars ("USD") $11.3 million (CAD $17.9 million) and CAD $51.3 million.

The terms of certain of the Company's debt agreements impose operating and financial limitations on the Company. Subject to the Company maintaining certain financial conditions pursuant to such agreement, the Company may incur additional indebtedness, create liens, engage in mergers and acquisitions, and make dividend payments. The Company's ability to comply with any of the foregoing limitations and with loan payment provisions will depend on future performance. This will be subject to prevailing economic conditions and other factors, some of which are beyond the Company's control. During the year, the Company was in compliance with all covenants and other conditions imposed by its debt agreements.

On November 19, 2001, the Company received approval from The Toronto Stock Exchange for a normal course issuer bid to repurchase up to 766,245 of its common shares during the one-year period commencing November 21, 2001. This bid expired on November 20, 2002. The total number of shares repurchased under this program was 6,900 shares, representing 1% of the total authorized, at an average cost of $9.64.

On December 5, 2002, the Company received approval from The Toronto Stock Exchange for a normal course issuer bid to repurchase up to 770,589 of its common shares during the one-year period commencing December 5, 2002. As at February 14, 2003, the Company had acquired 8,400 additional shares pursuant to this bid.

The Company had approximately 15.4 million shares outstanding as at December 31, 2002.

During the year, the Company declared and paid a quarterly dividend of $0.045 per share (annual rate of $0.18 per share), which totaled $2.8 million. In 2003 the Board approved an increase in FPI's quarterly dividend payment to $0.05 per share for the first quarter of 2003.

Shareholders' equity totaled $201.0 million ($13.05 per share) as at December 31, 2002, compared with $192.3 million ($12.70 per share) at December 31, 2001.

Seasonality

The Company's operations and, therefore, its cash flows are seasonally affected. Inventory levels fluctuate in the following manner: increasing during the late spring/early summer with the seasonal fisheries, particularly those for coldwater shrimp and snow crab; peaking in September/October with the global sourcing of warmwater shrimp for pre-holiday sales in the fall; and declining in the late fall/early winter with strong sales and slow global sourcing/harvesting activity.

Foreign Currency and Hedging

The Company prepares consolidated financial statements in CAD (as described in the Accounting Policies note to the consolidated financial statements).

The Company's overall approach to managing foreign currency exposure includes identifying and quantifying its currency exposure and putting in place the appropriate financial instruments in an effort to manage the exposure. In managing this risk, the Company may use financial instruments including forwards, swaps, and other instruments to best manage its exposure. The Company does not use any financial instruments for speculative purposes.

The Company has developed a risk management program to mitigate potential risks with respect to foreign currencies. The strategy is to match inflows and outflows by currency, thereby minimizing net currency exposures to the extent possible. This is accomplished by ensuring that customer contracts, major expenditures, and debt are denominated in the appropriate currencies.

In 2002, approximately 70% of FPI's consolidated sales were based in foreign currencies, with approximately 60% in USD. To a large extent, a natural hedge for movements in the USD against the CAD exists in FPI's cost structure as: (i) international global sourcing of seafood products is primarily conducted in USD; (ii) a portion of the Company's long-term debt and short-term bank loans is denominated in USD; and (iii) the cost base of the Company's value added processing operations is largely in USD. However, there is still a net positive USD cash flow that can have an impact on operating earnings as the CAD/USD exchange rate changes. In 2002, the Company estimated that a one-cent decline in the value of the CAD relative to the USD, exclusive of hedging, would have favourably affected annualized net income by approximately $0.3 million.

The Company has a policy that permits its foreign currency cash flows, not otherwise identified as a natural hedge of foreign currency obligations, to be hedged up to 70% 12 months into the future and up to 50% during the subsequent 12 months into the future.

As of December 31, 2002, the Company has hedged USD $24.1 million, or 50% of its anticipated free USD cash flow for the 12 months in 2003, at an average rate of 64.0¢. Further, it has entered into forward contracts to hedge USD $6.0 million, or 25% of anticipated free USD cash flow for the 12 months of 2004, at an average rate of 63.0¢. At December 31, 2002, future hedging capacity stands at USD $8.7 million for 2003 and USD $18.0 million for 2004. Subsequent to year end, the Company has increased its hedging for 2003 to 70%, the maximum under the Company policy.

If the spot rate in 2003 equals the forecast spot rate of 64.6c, the Company would realize an opportunity loss of $0.1 million.

The earnings sensitivity to other currencies is less significant. It is estimated that a 1% decline in the value of the CAD relative to the European currencies would favourably affect annualized net income by approximately $0.2 million.

In addition, FPI hedges currency exposures in its trading operations and situations where purchases of product in USD have been designated to fill customer orders at fixed prices in CAD. The objective of these currency hedges is to preserve normal margins for these orders. In 2002, FPI used short-term forward contracts to lock in the margin on 16% of its Canadian trading sales.

FPI's earnings are also directly impacted by changing prices in relation to the purchases of fuel: (a) to operate its fleet; (b) to operate its plants; and (c) by its independent truckers. In addition to these direct impacts, changing fuel prices indirectly impact the Company's packaging and fishing gear costs (particularly those items, such as plastic and nets, that are petroleum-based), as well as costs such as electricity and travel. The Company estimates that for every one-dollar change in the price of crude oil from a base level of USD $19 per barrel, FPI's net income will change by $0.1 million.

The Company does not engage in any hedging of its operating costs, due to the absence of an organized commodity market for the vast majority of these cost components.

Credit Risk

The Company's consolidated sales result from a broad customer base, in excess of 3,500 accounts. FPI's largest customer accounts for approximately 9.1% of total sales. As a result of consolidation of large customers in recent years, the top ten customers now account for approximately 36% of total annual sales. More market consolidation is anticipated as mergers continue to take place between large accounts. FPI will continue to monitor its customer profile to manage this consolidation trend.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company records transactions and prepares its financial statements in CAD. For the year ended December 31, 2002, the Company maintained operations in the United States, the United Kingdom, and Germany, with business also conducted in other countries. The Company's businesses in the United States and the United Kingdom are considered financially and operationally self-sustaining while the business located in Germany is considered an integrated operation. The assets and liabilities of the Company's self-sustaining operations are translated into CAD at the year end exchange rate. Revenues and expense items are translated into CAD at average exchange rates prevailing throughout the year. The resulting net gains and losses, together with those related to short-term and long-term borrowings in USD denominated debt and designated since January 1, 1998, as a hedge of the self-sustaining subsidiary operations, are accumulated in a separate component of shareholders' equity, described in the consolidated balance sheets as foreign currency translation adjustment.

The exchange gains and losses arising on the translation of the current monetary items of the Company's integrated operation are included in the determination of net income. Gains and losses on the translation of other foreign currency transactions are included in the determination of net income. Because much of the Company's total revenues and expenses occurs in currencies other than CAD, the Company is exposed to exchange rate risks.

Effective January 1, 2002, the Company implemented the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for Foreign Currency Translation. All exchange gains and losses arising from the translation of long-term debt held in foreign currencies are now included in income. Previously, unrealized foreign exchange gains or losses in relation to long-term debt accumulated prior to January 1, 1998, were deferred and amortized over the remaining term of the related debt. As required under the new standard, this change was adopted retroactively with restatement of prior period balances.

To perform sensitivity analysis, the Company assesses the risk of loss in fair value due to the impact of hypothetical changes in interest rates and foreign currency exchange rates on market sensitive instruments. Information provided by the analysis does not necessarily represent the actual changes in fair value that the Company would incur under normal market conditions because, of necessity, all variables other than the specific market risk factors are held constant.

The results of sensitivity analysis at December 31, 2002, follow.

Foreign Currency Exchange Rate Risk

A 1% change in the exchange rate of the USD against the CAD, with all other variables remaining constant, would have resulted in a $0.2 million change in the fair market value of the Company's long-term debt at December 31, 2002.

Interest Rate Risk

The Company is exposed to market risk from changes in interest rates, related primarily to variable interest rates on current bank indebtedness. The Company has an interest rate risk management program and has entered into interest rate swaps. The positions were taken to minimize the impact of future changes in interest rates on Canadian floating rate debt. The interest rate swaps that were entered into are based upon notional amounts that would correspond generally to the Company's Canadian floating rate debt. At December 31, 2002, the Company had a notional amount of interest rate swap agreements outstanding of $12.9 million. A 1% change in variable interest rates, with all other variables remaining constant, would result in a $0.2 million change in interest expense for the year ended December 31, 2002.

A change of 1% in interest rates would have an insignificant impact on the fair value of the Company's long-term debt.

Equity Price Risk

As of December 31, 2002, the Company was not exposed to market risk from changes in the market value of long-term investments as the Company did not hold any publicly-traded, long-term investments.

OTHER RISKS

Sales Price Volatility

Historically, certain of FPI's product lines have recorded very significant price volatility, with the most recent examples being warmwater shrimp, Atlantic snow crab, cod, Alaskan pollock, and scallops. The breadth of FPI's overall product line and the Company's ability to substitute products, if necessary, softens the impact of excessive volatility in individual product categories.

Global Sourcing

In view of the ongoing moratoria or limited reopenings of key Canadian groundfish stocks, global sourcing of groundfish remains a vital component of the Company's operations. For the year ended December 31, 2002, the Company globally sourced 30,400 tonnes of product, either as raw material or finished goods. The Company purchased its requirements for all species at prices similar to those paid in 2001. In 2003, the Company expects to meet its supply requirements at prices similar or not materially higher than those of 2002. A detailed discussion on raw material is found in the Company's Annual Information Form.

Labour Contracts

The Company entered into a new collective agreement with the employees of the scallop vessel, *M.V. Atlantic Destiny*, during the year. Negotiations are currently ongoing with respect to two of the remaining five collective agreements.

Regulatory Environment

The regulatory environment in the Atlantic Canadian fishing industry is extremely complex. Elements of risk include: changes in quota allocations; potential changes in the enterprise allocation system; new licensing fees to cover governmental administration costs; the granting of additional processing and harvesting licenses; the dilution of the resource base amongst more participants; and the scheduling of various fisheries. The ultimate regulatory regime reflects a complex interplay of scientific and management objectives and a wide array of ongoing political and social pressures.

A significant reduction in quota or adverse material changes to the Company's allocation percentages might have a detrimental effect on the Company's financial condition and results of operations, although it is not readily quantifiable due to the variability of possible assumptions. Adverse impacts that result from such changes would be significantly mitigated through increased procurement activities, product additions or withdrawals, or species substitution.

TAXES

The Company is subject to taxation in different jurisdictions throughout the world. The future effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which funds are transferred between jurisdictions and income is repatriated, and future changes in law. The tax liability for each legal entity is determined on a non-consolidated basis without regard to the taxable losses of non-consolidated affiliate entities. As a result, the Company may pay income taxes in certain jurisdictions, although on an overall basis a net loss for the period may be incurred.

INFLATION

Although the Company believes that inflation has not had any material effect on current operating results, the Company's business may be affected by inflation in the future.

OUTLOOK FOR 2003

The upcoming year will be a pivotal year for FPI's future growth and development. New leadership has defined the strategic direction for business development and improving financial performance of the Company.

In the Primary Group, Management is focused on improving groundfish operations to achieve competitiveness in the international marketplace. A program of capital expenditures directed at the groundfish processing plants and vessel replacement has been developed to seek to achieve the necessary operating improvements. These capital expenditures are subject to successful conclusion of negotiations and ratification of a new collective bargaining agreement for Primary operations in Newfoundland and Labrador. The Company is optimistic that a new collective agreement will be achieved in the first quarter of 2003.

The Marketing and Value Added Group has demonstrated good performance in a challenging economic environment. The Company has made significant investments in human resource initiatives, sales and marketing professionals, and culinary expertise to differentiate FPI in the marketplace. Management believes the Marketing and Value Added Group is well positioned to demonstrate continued growth in sales and earnings as a result of these new initiatives, in combination with the Company's great tradition of high product quality and customer service.

Management believes the overall financial outlook is positive as the Company is undertaking critical capital investments in support of continued growth in sales and earnings per share. With significant investment beginning in 2003, the Company's fundamental financial objective is to seek to achieve double-digit return on equity in two years.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains, in accordance with applicable Canadian securities laws and policies, certain forward-looking information about the Company's business and anticipated trends and developments. Such disclosure amounts to forward-looking statements, which is subject to significant risks and uncertainties. These forward-looking statements arise out of Management's experience, perception of trends, current conditions, and expected future developments, as well as other factors.

Readers are cautioned not to place undue reliance on forward-looking statements, as a number of important factors, as discussed herein and in the Company's other continuous disclosure documents, could cause actual results to differ materially from historical results and from the results contemplated by such forward-looking statements. The Company includes in publicly available documents, filed from time to time with Canadian securities regulatory authorities, a thorough discussion of the risk factors that could cause the Company's anticipated outcomes to differ from actual outcomes.

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include some amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the Annual Report conforms to the financial statements.

Management is responsible for developing and maintaining the necessary systems of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Board of Directors has established an Audit Committee, comprised of five directors who are not officers or employees of the Company to ensure that management fulfills these responsibilities. The Audit Committee meets periodically with management and the shareholders' external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation and disclosure and recommendations on internal control.

The shareholders' external auditors, Ernst & Young LLP, have audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards and their report follows. The independent auditors have full unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

ON BEHALF OF THE COMPANY:

Derrick H. Rowe
Chief Executive Officer

A. D. Rowe

Allan D. Rowe
Chief Financial Officer

February 14, 2003

ERNST & YOUNG

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of FPI Limited as at December 31, 2002, and 2001, and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002, and 2001, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Chartered Accountants
St. John's, Canada
February 14, 2003

CONSOLIDATED BALANCE SHEETS

As at December 31,

dollars in thousands		2002	2001
			(restated - note 1)
ASSETS			
Current Assets			
Cash (note 5)	$	**9,954**	1,577
Accounts receivable (note 2)		**86,484**	80,047
Inventories (note 2)		**145,844**	129,010
Prepaid expenses		**5,754**	4,340
Future income tax assets (note 12)		**2,571**	2,114
Total current assets		**250,607**	217,088
Capital assets (note 3)		**110,253**	96,617
Future income tax assets (note 12)		**17,235**	18,555
Other assets (note 6)		**12,790**	16,546
	$	**390,885**	348,806
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness (note 7)	$	**66,746**	44,059
Accounts payable and accrued liabilities		**53,953**	45,935
Current portion of long-term debt (note 8)		**13,621**	10,678
Total current liabilities		**134,320**	100,672
Long-term debt (note 8)		**55,607**	55,821
		189,927	156,493
Shareholders' equity			
Share capital (note 9)		**51,332**	51,174
Contributed surplus (note 9)		**71,598**	71,642
Retained earnings		**77,491**	66,491
Foreign currency translation adjustment		**537**	3,006
		200,958	192,313
	$	**390,885**	348,806

See accompanying notes to consolidated financial statements.

ON BEHALF OF THE BOARD:

Eric F. Barratt
Chair, Audit Committee

Rex C. Anthony
Chairman, Board of Directors

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,

dollars in thousands, except per share amounts		2002	2001 (restated - note 1)
Sales	$	740,914	703,115
Cost of goods sold		654,823	623,392
Gross profit		86,091	79,723
Commission income		3,647	2,988
		89,738	82,711
Administrative and marketing expenses		52,530	47,805
Amortization		9,877	9,806
Operating income before the undernoted		27,331	25,100
Interest (note 8)		5,797	6,812
Unusual items (note 11)		-	14,543
Income before income taxes		21,534	3,745
Income taxes (note 12)		7,763	4,445
Net income (loss) for the year	$	13,771	(700)
Earnings (loss) per share (note 15)			
Basic	$	0.89	(0.05)
Diluted	$	0.89	(0.05)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31,

dollars in thousands		2002	2001 (restated - note 1)
Retained earnings, beginning of year	$	67,229	70,965
Change in accounting policy (note 1)		(738)	(1,045)
As restated		66,491	69,920
Net income (loss) for the year		13,771	(700)
		80,262	69,220
Dividends		2,771	2,729
Retained earnings, end of year	$	77,491	66,491

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

dollars in thousands		2002	2001
			(restated - note 1)
OPERATIONS			
Net income (loss) for the year	$	**13,771**	(700)
Add (deduct) items not affecting cash			
Amortization		**9,877**	9,806
Future income tax		**1,496**	(3,153)
Net (gain) loss on disposal of capital assets		**(1,004)**	104
Write-down of investment in joint venture		**-**	2,329
Write-down of capital assets		**-**	662
Cash provided by operations before the undernoted		**24,140**	9,048
Changes in non-cash working capital balances related to operations			
Accounts receivable		**(6,679)**	(3,224)
Inventories		**(17,099)**	(3,730)
Prepaid expenses		**(1,397)**	2,429
Accounts payable and accrued liabilities		**8,391**	7,480
Foreign currency translation adjustments		**(3,128)**	(3,442)
Accrued benefit asset		**1,684**	(2,887)
Cash provided by operating activities		**5,912**	5,674
INVESTING			
Additions to capital assets		**(26,646)**	(14,874)
Proceeds from disposal of capital assets		**4,013**	11
Increase in mortgages receivable		**741**	1,128
Other investing activities		**1,233**	(1,928)
Cash applied to investing activities		**(20,659)**	(15,663)
FINANCING			
Issue of long-term debt		**14,460**	3,063
Repayment of long-term debt		**(11,523)**	(11,359)
Net change in bank indebtedness		**22,951**	20,018
Dividends paid		**(2,771)**	(2,729)
Issue of common shares		**181**	3,934
Repurchase of common shares		**(67)**	(2,235)
Cash provided by financing activities		**23,231**	10,692
Effect of exchange rate changes on cash		**(107)**	653
Change in cash position during the year		**8,377**	1,356
Cash position, beginning of year		**1,577**	221
Cash position, end of year	$	**9,954**	1,577

Supplemental cash flow information (note 18).

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

(tabular amounts expressed in thousands of dollars except where otherwise noted)

BASIS OF PRESENTATION

FPI Limited (the "Company") is incorporated under The Corporations Act of the Province of Newfoundland and Labrador. The Company is involved in the harvesting and global sourcing of raw material for processing into both primary and value added seafood in its primary and value added processing plants in North America. The Company also globally sources market-ready primary products for marketing directly to its customers. Sales, marketing, and distribution of products are carried on in Canada, the United States, Europe, Japan, China, and South-east Asia. These consolidated financial statements include the accounts of the Company and those of its subsidiaries, together with the Company's proportionate share of the assets, liabilities, revenues, and expenses of a joint controlled entity.

1. ACCOUNTING POLICIES

The significant accounting policies of the Company and its consolidated subsidiary companies are set out below. These policies are in accordance with Canadian generally accepted accounting principles.

Use of Estimates

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the reporting date, and the reported amounts of revenue and expenses during the fiscal period. Actual results could differ from the estimates and assumptions used.

Revenue Recognition

Sales are recognized in income when the related products have been shipped to customers.

Inventories

Inventories of finished goods are valued at the lower of cost and net realizable value. Inventories of materials and supplies are valued at the lower of cost and replacement cost. Cost is determined on a weighted average basis.

Capital Assets

Capital assets are carried at cost. Interest on debt incurred to finance the construction of a capital asset is included in the cost of the asset during the construction period.

Depreciation of capital assets is provided on a straight-line basis over the following estimated useful lives of the assets:

	Years
Buildings and wharves	8 - 40
Machinery and equipment	10 - 15
Vessels and vessel equipment	25 - 35

Foreign Currency Translation

The majority of the Company's foreign subsidiary operations are classified as self-sustaining operations. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. The resulting net gains or losses, together with those related to short-term and long-term borrowings in U.S. dollars ("USD") and designated since January 1, 1998, as a hedge of the self-sustaining foreign subsidiary operations. These transactions are accounted for as hedges to the extent that they are designated as, and effective as, hedges of the net investment in the self-sustaining operations. They are accumulated in a separate component of shareholders' equity, described in the consolidated balance sheet as foreign currency translation adjustment.

The Company's foreign subsidiary sales operation based in Germany is classified as an integrated operation. Exchange gains or losses arising on the translation of the current monetary items of this operation are included in the determination of net income. Gains or losses on the translation of other foreign currency transactions are included in the determination of net income.

Effective January 1, 2002, the Company implemented the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to accounting for Foreign Currency Translation. All exchange gains and losses arising from the translation of long-term debt held in foreign currencies that are not designated as a hedge of self-sustaining operations are now included in income. Previously, unrealized foreign exchange gains or losses in relation to long-term debt accumulated prior to January 1, 1998, were deferred and amortized over the remaining term of the related debt.

As required under the new standard, this change was adopted retroactively with restatement of prior period balances. The effect of adopting the new recommendations was to decrease net loss by $307,000 for the year ended December 31, 2001, and to decrease other assets by $738,000 as at December 31, 2001.

Basic and diluted loss per share for the year ended December 31, 2001, decreased by $0.02 over that previously reported.

1. ACCOUNTING POLICIES continued

Employee Future Benefits

The Company has retirement plans which provide for defined benefits for all employees, other than certain employee groups in the United States and Europe who are members of defined contribution plans. The defined benefit plans provide pensions based on final average earnings and in one plan, a flat benefit. In addition, the Company sponsors defined benefit life insurance and health care plans for eligible retired employees. Obligations under the employee benefit plans are accrued as the employees render the service necessary to earn the pension and other employee future benefits.

The Company's policies for accounting for future employee benefits are as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees, and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service life of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.
- When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to settlement.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs. Current income tax expense is recognized for the estimated income taxes payable for the current year. Future income tax expense is the net difference between the beginning and ending balances for future income tax assets and liabilities.

Stock-Based Compensation Plans

The Company has stock-based compensation plans for directors, executives, and certain senior managers, which are described in note 10. Effective January 1, 2002, the Company implemented the new recommendations of the CICA with respect to Stock-Based Compensation and Other Stock-Based Payments. As permitted by the new standard, the Company continues to record no compensation cost upon issuance of stock options to employees and directors under its stock option plan. Any consideration paid by employees and directors on exercise of stock options is credited to share capital. Compensation expense is recognized for the Company's contributions to the Employee Share Purchase Plan.

Under the new recommendations, the Company is required to disclose the pro-forma net earnings and pro-forma earnings per share using the fair value method of accounting for stock-based compensation awards granted on or after January 1, 2002. The required pro-forma information is presented in note 15.

Earnings Per Share

Effective January 1, 2001, the Company implemented the new recommendations of the CICA with regards to earnings per share. Accordingly, diluted earnings per share is computed in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents.

Forward Contracts and Option Agreements

The Company has limited involvement with derivative financial instruments and does not use them for trading purposes. The Company periodically enters into forward foreign exchange contracts and option agreements to buy or sell various foreign currencies in order to limit exposure to exchange rate fluctuations. Foreign currency cash flow, not otherwise identified as a natural hedge of foreign currency obligations, may be hedged up to a maximum of 70% of the free foreign currency cash flow 12 months into the future and up to 50% of the free foreign currency cash flow during the subsequent 12 months into the future. Gains or losses on translation of the hedged transactions, at current exchange rates, are recognized in income in the same period as gains and losses on the underlying transactions are recognized.

Interest Rate Risk Management

The Company also enters into interest rate swap agreements to minimize the impact of rate changes on current bank debt. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense. Unrealized gains or losses resulting from market movements are not recognized.

Provision for Profit Sharing

The Company has a policy of sharing with its employees 10% of its net income before profit sharing, gain or loss on disposal of capital assets, and income taxes.

2. CURRENT ASSETS

(A) Accounts Receivable

		2002	2001
Trade	$	70,131	67,575
Other		16,353	12,472
	$	86,484	80,047

(B) Inventories

		2002	2001
Finished goods	$	99,103	88,921
Raw materials and supplies		46,741	40,089
	$	145,844	129,010

3. CAPITAL ASSETS

		2002	2001
Buildings, wharves and land	$	71,518	69,816
Machinery and equipment		118,382	109,124
Vessels and vessel equipment		68,074	56,747
		257,974	235,687
Less accumulated amortization			
Buildings and wharves		37,342	35,363
Machinery and equipment		78,347	73,240
Vessels and vessel equipment		32,032	30,467
		147,721	139,070
Net book value	$	110,253	96,617

Interest in the amount of $476,000 (2001; $nil) has been capitalized and included in the cost of vessels and vessel equipment.

4. BUSINESS ACQUISITION

In December 2001, the Company purchased the 40% remaining interest in a joint venture, International Fish Protein Limited, for nominal consideration.

5. JOINT VENTURE

The Company has a 25% interest in a joint control entity, Katsheshuk Fisheries Limited ("KFL"). The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of the entity, the material elements of which are as follows:

		2002	2001
Current assets	$	3,402	784
Capital assets, net book value		-	2,990
Other assets		48	-
	$	3,450	3,774
Current liabilities	$	2,801	800
Long-term liabilities		-	2,653
	$	2,801	3,453
Sales	$	224	1,192
Gain on disposal		972	-
Expenses		618	1,025
Net income	$	578	167
Cash flow generated from (applied to):			
Operating activities	$	(259)	661
Financing activities	$	(935)	(3,237)
Investing activities	$	3,866	2,920

During the year, the *M.V. Katsheshuk*, the vessel owned and operated by KFL, caught fire at sea and ultimately sank during salvage operations.

Insurance proceeds were received during 2002. The Company's proportionate amount of total insurance proceeds exceeded the book value of the vessel by $972,000. This amount has been included in administrative and marketing expenses on the income statement.

The *M.V. Katsheshuk* was provided as collateral against a term loan obtained for financing of the vessel. As a result of loss of the vessel, the Company has classified its proportionate share of the debt, amounting to $2,200,000, as current.

The entity has not yet determined whether the insurance proceeds will be used to purchase a new vessel or to pay off the debt.

As at December 31, 2002, a portion of the entity's cash balance obtained through insurance proceeds, of which the Company's proportionate share is $2,875,000, has been restricted by the bank to which the term loan is due.

6. OTHER ASSETS

		2002	2001 (restated – note 1)
Accrued benefit asset (note 13)	$	**10,611**	12,295
Mortgages receivable		**1,943**	2,491
Other assets		**236**	1,760
	$	**12,790**	16,546

Mortgages receivable represent advances to independent fish harvesters and are secured by vessels. The current portion of mortgages receivable included in accounts receivable (other) amounts to $2,047,000 (2001; $2,427,000). Mortgages receivable bear interest at rates which fluctuate with prime and have repayment terms up to six years. The carrying amount of the mortgages receivable approximates fair value based on the variable interest rates charged on the mortgages.

7. BANK INDEBTEDNESS

At December 31, the Company has $66,746,000 (2001; $44,059,000) outstanding in bank operating loans. The Company has operating lines of credit available of $90,000,000 (2001; $90,000,000). Interest on the debt outstanding as at December 31, 2002, ranges from 2.35% to 3.90%. The maturity dates on the debt range from January 7, 2003, to April 1, 2003.

The Company has provided accounts receivable and inventories as collateral for bank operating and certain term loan facilities (note 8).

Included in bank indebtedness are bankers acceptances denominated in USD amounting to USD $34,000,000 (2001; USD $22,500,000) and CAD amounting to $9,500,000 (2001; $nil).

8. LONG-TERM DEBT

		2002	2001
9.43% marine mortgage maturing in 2004 (2002 - USD $1,700; 2001 - USD $2,550)	$	**2,685**	4,061
8.95% secured bank term loan maturing in 2005		**1,500**	2,000
6.99% secured bank term loan maturing in 2009		**12,188**	14,063
6.92% secured bank term loan maturing in 2011		**8,500**	9,500
6.90% secured bank term loan maturing in 2006 (2002 - USD $3,176; 2001 - USD $3,882)		**5,018**	6,183
6.64% secured bank term loan maturing in 2007 (2002 - USD $6,457; 2001 - USD $7,679)		**10,200**	12,229
6.38% secured bank term loan maturing in 2007		**9,250**	11,000
6.33% secured bank term loan maturing in 2004		**680**	1,020
6.19% secured bank term loan maturing in 2008		**3,000**	3,500
Other loans repaid during the year		**-**	23
8.20% secured bank term loan (note 5)		**2,235**	2,920
7.79% marine mortgage maturing in 2012		**13,972**	-
		69,228	66,499
Less current portion		**13,621**	10,678
	$	**55,607**	55,821

The Company has provided accounts receivable and inventories as collateral for bank operating facilities (note 7) and for the 6.99%, 6.92%, 6.90%, 6.64%, 6.38%, 6.33%, and 6.19% bank term loans. As collateral for the 9.43% marine mortgage, the Company has provided a charge over a vessel with a carrying value of $11,852,000 (2001; $12,318,000). As collateral for the 8.95% bank term loan, the Company has provided a charge over a building and equipment with a carrying value of $7,624,000 (2001; $7,997,000). The 8.20% interest bearing loan pertains to the Company's proportionate share of debt held by a joint control entity (note 5). As collateral for the loan, the entity has provided a charge over a cash balance of which the Company's proportionate share is $2,875,000 (2001; vessel with a carrying value of $2,990,000). As collateral for the 7.79% marine mortgage, the Company has provided an assignment of insurance proceeds and a charge over a vessel and equipment with a carrying value of $16,007,000.

Annual principal repayments of long-term debt are as follows:

2003	$	13,621
2004		11,470
2005		9,877
2006		10,032
2007		9,517
Thereafter		14,711
	$	69,228

The estimated fair value of the Company's long-term debt, including the current portion, at December 31, 2002, and 2001, was $75,238,000 and $69,056,000, respectively. Fair value has been estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturities.

Interest expense of $5,797,000 (2001; $6,812,000) includes interest on long-term debt in the amount of $4,378,000 (2001; $4,977,000).

9. SHARE CAPITAL

(A) Authorized

Unlimited number of common shares without par value.

Unlimited number of preference shares without par value.

(B) Issued

	2002		2001	
	Number of Common Shares	Stated Capital	Number of Common Shares	Stated Capital
Balance, beginning of year	15,390,033	$ 51,174	14,961,034	$ 48,053
Issued under employee and executive share purchase plans for cash	29,739	181	682,099	3,934
Repurchased by the Company	(6,900)	(23)	(253,100)	(813)
Balance, end of year	15,412,872	$ 51,332	15,390,033	$ 51,174

(C) Share Repurchase

The Company acquired 6,900 (2001; 253,100) common shares pursuant to a normal course issuer bid which expired in November 2002 (2001; April 2001). These shares were repurchased for cancellation at an aggregate cost of $67,000 (2001; $2,235,000), of which $23,000 (2001; $813,000) was charged to share capital, based on the average per share amount in the share capital account at the date of purchase, and the balance of $44,000 (2001; $1,422,000) was charged to contributed surplus.

During the year, the Company announced a further normal course issuer bid to repurchase up to 770,589 of its common shares. As at December 31, 2002, the Company has not acquired any additional shares pursuant to this bid.

10. STOCK-BASED COMPENSATION PLANS

(A) 2000 Performance Stock Option Plan

On May 1, 2000, the Company, following approval by shareholders and the Board of Directors, established a new stock option plan, the 2000 Performance Stock Option Plan. This plan was amended on July 4, 2001. Under this plan, the Company may grant options to executives and certain senior managers for up to 1,395,000 common shares. The exercise price of each option will be the closing market price of the common shares on the trading day immediately preceding the date of granting. These options have a maximum term of ten years and vest as to 20% when the market price has increased 12% over the exercise price and an additional 20% of options for each additional 12% increase in the market price. Options which have not vested within five years after the date of grant will expire.

A summary of the status of the Company's 2000 Performance Stock Option Plan as of December 31, 2002, and 2001, and changes during the years ending on those dates is presented below.

	2002		2001	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	385,000	$ 9.54	218,000	$ 9.01
Granted	533,000	8.45	396,000	9.46
Exercised	-	-	(17,800)	8.72
Cancelled	(91,000)	8.88	(211,200)	8.91
Outstanding at end of year	827,000	$ 8.91	385,000	$ 9.54
Options exercisable at end of year	10,400	$ 8.65	11,400	$ 8.72

The options outstanding at December 31, 2002, have exercise prices ranging from $7.90 to $10.37, or $8.91 on average and a weighted average remaining contractual life of 8.8 years.

10. STOCK-BASED COMPENSATION PLANS continued

(B) Executive Stock Option Plan

Under the Executive Stock Option Plan, the Company may grant options to executives and certain senior managers for up to 1,000,000 common shares. The exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options to purchase shares of the Company vest as to 25% on the date of granting and 25% on each of the three succeeding anniversaries of the date of granting.

A summary of the status of the Company's Executive Stock Option Plan as of December 31, 2002, and 2001, and changes during the years ending on those dates is presented below.

	2002			2001		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding at beginning of year	95,800	$	6.15	734,775	$	5.64
Granted	-		-	18,000		8.72
Exercised	(23,050)		4.84	(656,975)		5.65
Cancelled	(21,750)		8.63	-		-
Outstanding at end of year	51,000	$	5.68	95,800	$	6.15
Options exercisable at end of year	50,000	$	5.51	79,050	$	5.93

The options outstanding at December 31, 2002, have exercise prices ranging from $4.16 to $9.43, or $5.68 on average, and a weighted average remaining contractual life of 1.7 years.

(C) Deferred Stock Unit Plan

The Deferred Stock Unit Plan ("DSUP"), offered to members of the Board of Directors, was discontinued during 2001. Under the DSUP, each director elected to receive all or a percentage of his or her annual compensation in the form of notional common shares of the Company called deferred stock units ("DSUs"). The issue price of each DSU was equal to the weighted average share price at which common shares of the Company traded on The Toronto Stock Exchange during the five-day period prior to the last day of the quarter in which the DSU was issued. The DSU account of each director included the value of dividends, if any, as if re-invested in additional DSUs. The director was not permitted to convert DSUs into cash until he or she ceased to be a member of the Board. The value of the DSUs, when converted to cash, were equivalent to the market value of the common shares at the time of conversion, which time was not to be later than December 31 of the first calendar year commencing after the year in which the director ceased to be a member of the Board of Directors. There were no DSUs outstanding as at December 31, 2002, or December 31, 2001.

(D) Employee Share Purchase Plan

The Company has reserved 174,615 (2001; 181,304) common shares, issuable at market value, under an employee share purchase plan. During the year, 6,689 (2001; 7,324) common shares were issued under this plan.

11. UNUSUAL ITEMS

Unusual items for the year ended December 31, 2001, were as follows:

Proxy contest costs	$	2,866
Severance costs		6,484
Write-down of investment in joint venture		2,329
Write-off of deferred acquisition costs		1,868
Write-down of capital assets		662
Other		334
	$	14,543

Proxy contest costs of $2,866,000 represent costs to the Company for the proxy contest which occurred prior to electing the new Board of Directors at the Company's Annual Meeting of Shareholders on May 1, 2001. Costs of $1,433,000 were incurred by former management and directors of the Company in the proxy solicitation process. Upon approval of the Board of Directors, the Company reimbursed Clearwater Fine Foods Inc., a shareholder of the Company, costs of $1,433,000 that it incurred on behalf of the new Directors. This amount reimbursed to Clearwater Fine Foods Inc. did not represent its total cost incurred in the proxy contest. The Company capped the reimbursement to Clearwater Fine Foods Inc. so as to not exceed the total cost which the previous board incurred in the proxy contest. These costs consisted primarily of legal, investor relations, and media expenditures.

11. UNUSUAL ITEMS continued

Following May 1, 2001, the Company recorded a charge of $4,384,000 for contractual termination benefit costs approved by the previous board for five former senior officers. These charges resulted from change of control contracts having been triggered. These contracts were put in place by the previous board and management and provide for payments of specified amounts to 22 employees under contract should a defined change of control occur. Also included in severance costs was a provision of $2,100,000 for streamlining management and administrative functions. As of December 31, 2001, there were 11 remaining employees under contract who would be eligible to claim severance in the event of a change in individual role and responsibility for a period of two years following May 1, 2001. As of December 31, 2002, there is one remaining employee under this type of contract.

Included in the unusual items is the write-down of the Company's investment in International Fish Protein Limited, a joint venture, which had a carrying value of $2,329,000 in the consolidated financial statements of the Company. During 2001, the joint venture partners agreed to dismantle the idle facility and dispose of the joint venture's net assets. The Company does not expect to recover its investment in the joint venture and, therefore, has written it down.

Subsequent to the 2001 year end, the Company announced that it would not proceed with the acquisition of Clearwater Fine Foods Inc. The Company reached an agreement with Clearwater Fine Foods Inc. to share equally in the acquisition costs incurred. The Company's portion of costs incurred of $1,868,000 were charged to income as part of the unusual items.

12. INCOME TAXES

Major components of income tax expense are as follows:

		2002	2001
Current	$	6,251	7,377
Future income tax expense (benefit) relating to origination and reversal of temporary differences		2,044	(4,607)
Future income tax expense (benefit) resulting from rate change		–	(68)
Future income tax (benefit) expense resulting from change in valuation allowance		(532)	1,743
	$	7,763	4,445

As the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The provision for income taxes differs from the amount that would have resulted from applying the statutory income tax rates to income before taxes as follows:

		2002			2001	
		Amount	%		Amount	%
Income tax expense computed at statutory rates	$	8,442	39.2	$	1,558	41.6
Effect of lower foreign tax rates		(128)	(0.6)		(493)	(13.2)
Manufacturing and processing tax credit		(317)	(1.5)		985	26.3
Effect of future tax rate reductions		(25)	(0.1)		(68)	(1.8)
Change in valuation allowance		(532)	(2.5)		1,743	46.5
Permanent differences		151	0.7		553	14.8
Large corporations tax		395	1.8		414	11.1
Other tax differences		(223)	(1.0)		(247)	(6.6)
	$	7,763	36.0	$	4,445	118.7

12. INCOME TAXES continued

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2002, and 2001, are presented below:

		2002	2001
Future income tax assets			
Capital assets	$	**24,046**	25,059
Accounts payable and accrued liabilities		**963**	421
Intangibles		**697**	892
Loss carryforwards		**1,810**	2,674
Inventory		**1,160**	1,503
Other		**2,028**	2,116
		30,704	32,665
Less valuation allowance		**7,159**	7,691
Future income tax assets	$	**23,545**	24,974
Future income tax liabilities			
Accrued benefit costs	$	**3,403**	3,840
Deferred exchange		**131**	132
Other		**205**	333
Future income tax liabilities	$	**3,739**	4,305
Net future tax asset	$	**19,806**	20,669
Classified as:			
Future income tax asset – current	$	**2,571**	2,114
Future income tax asset – non-current	$	**17,235**	18,555

The Company has approximately $1,336,000 in non-capital loss carryforwards which are available to reduce future Canadian income taxes otherwise payable. The expiry of these losses is as follows:

2003	$	23
2004		66
2005		27
2006		1,054
2007		29
2008		14
2009		123
	$	1,336

In addition, the Company has approximately $7,672,000 in capital loss carryforwards which are available to reduce future Canadian taxable capital gains.

13. EMPLOYEE FUTURE BENEFITS

	2002 Pension Plans	2002 Other Benefit Plans	2001 Pension Plans	2001 Other Benefit Plans
Plan assets				
Market value at beginning of year	$ 84,838		81,608	
Actual return on plan assets	416		2,026	
Employer contributions	-		2,299	
Return of ineligible prior year employer contributions	(1,965)		-	
Employee contributions	566		555	
Profit sharing payments to plan	-		664	
Benefits paid	(3,390)		(2,314)	
Market value at end of year	80,465		84,838	
Plan obligations				
Accrued benefit obligations at beginning of year	64,901	2,339	56,609	2,138
Current service cost	3,139	150	3,405	150
Interest cost	3,805	151	3,881	151
Benefits paid	(3,390)	(130)	(2,314)	(100)
Severance giving rise to:				
Past service costs	-	-	417	-
Curtailment costs	-	-	(294)	-
Termination costs	-	-	306	-
Actuarial losses	(5,055)	-	2,891	-
Accrued benefit obligations at end of year	63,400	2,510	64,901	2,339
Plan surplus (deficit)				
End of year market value less accrued benefit obligation	17,065	(2,510)	19,937	(2,339)
Unamortized transitional (asset) obligation	(12,875)	1,400	(13,969)	1,516
Unamortized net actuarial loss	7,372	159	6,868	159
Unamortized past service costs	-	-	123	-
Accrued benefit asset (obligations)	$ 11,562	(951)	12,959	(664)
Benefit plan (income) expense				
Current service cost	$ 2,573	150	2,186	150
Interest cost	3,805	151	3,881	151
Expected return on plan assets	(6,185)	-	(6,195)	-
Amortization of net actuarial loss	210	-	-	-
Amortization of past service costs	123	-	294	-
Amortization of curtailment costs	-	-	(294)	-
Amortization of termination benefits	-	-	306	-
Amortization of transitional (asset) liability	(1,094)	116	(1,094)	126
Net benefit plan (income) expense	$ (568)	417	(916)	427

13. EMPLOYEE FUTURE BENEFITS continued

	2002		2001	
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Weighted average actuarial assumptions				
Discount rate	**6.25%**	**6.25%**	6.75%	6.75%
Expected long-term rate of return on plan assets	**7.5%**	**-**	7.5%	-
Rate of compensation increase	**4.0%**	**-**	4.0%	-
Annual rate of increase in covered health care benefits	**-**	**7.5%**	-	7.5%
Remaining service period of active employees (years)	**2-21**	**13**	13-21	13

The total expense for the Company's defined contribution plans is $1,566,000 (2001; $1,631,000).

14. SEGMENTED INFORMATION

(A) General Information

In 2002, the Company's business was reorganized and based on the economic characteristics and management's evaluation of the operations, new segments were formed. The new segments include the Primary Group and the Marketing and Value Added Group. For the year ended December 31, 2001, the Company's business segments were reported as Primary, Value Added, and Global Sourcing. Comparative segment data for 2001 has been restated to reflect the new segments.

The Company evaluates performance and allocates resources based on segment gross profit. All inter-segment transactions are recorded at an exchange amount and are eliminated upon consolidation.

(B) Segmented Operations and Assets

		2002		
		Primary Group	**Marketing & Value Added Group**	**Consolidated**
Total sales				
Canada	$	**218,164**	**131,338**	**349,502**
Inter-segment		**(89,115)**	**(20,454)**	**(109,569)**
		129,049	**110,884**	**239,933**
United States		**72,465**	**361,076**	**433,541**
Inter-segment		**(649)**	**(2,611)**	**(3,260)**
		71,816	**358,465**	**430,281**
Europe		**66,097**	**4,603**	**70,700**
Net sales to external customers		**266,962**	**473,952**	**740,914**
Gross profit	$	**27,202**	**58,889**	**86,091**
Capital expenditures	$	**23,327**	**3,319**	**26,646**
Amortization of capital assets	$	**7,095**	**2,782**	**9,877**
Total assets	$	**226,098**	**164,787**	**390,885**

14. SEGMENTED INFORMATION continued

(B) Segmented Operations and Assets continued

	2001		
	Primary Group	Marketing & Value Added Group	Consolidated
Total sales			
Canada	$ 197,421	132,460	329,881
Inter-segment	(92,062)	(17,857)	(109,919)
	105,359	114,603	219,962
United States	63,019	360,225	423,244
Inter-segment	(1,121)	(9,879)	(11,000)
	61,898	350,346	412,244
Europe	66,700	4,209	70,909
Net sales to external customers	233,957	469,158	703,115
Gross profit	$ 27,284	52,439	79,723
Capital expenditures	$ 12,988	1,886	14,874
Amortization of capital assets	$ 6,841	2,945	9,786
Total assets (restated – note 1)	$ 214,089	134,717	348,806

(C) Net Sales to Customers by Product Category

	2002	2001
Primary Group		
Primary processed seafood		
Groundfish	$ 55,551	50,440
Shellfish	139,904	123,501
Other	3,449	4,380
	198,904	178,321
Globally sourced seafood		
Groundfish	22,422	22,973
Shellfish	35,526	20,236
Other	10,110	12,427
	68,058	55,636
	266,962	233,957
Marketing and Value Added Group		
Value added seafood		
Groundfish	181,247	180,612
Shellfish	62,926	62,890
	244,173	243,502
Globally sourced seafood		
Shellfish	167,220	172,636
Other	62,559	53,020
	229,779	225,656
	473,952	469,158
Total sales	$ 740,914	703,115

14. SEGMENTED INFORMATION continued

(D) Capital Assets by Geographic Area

		2002	2001
Canada	$	94,625	80,675
United States		15,608	15,902
Europe		20	40
	$	110,253	96,617

15. EARNINGS (LOSS) PER COMMON SHARE

in thousands, except per share amounts		2002	2001
			(restated - note 1)
Net income (loss)	$	13,771	(700)
Basic			
Average number of common shares outstanding		15,395	15,143
Per share amount	$	0.89	(0.05)
Diluted			
Average number of common shares outstanding		15,395	15,143
Impact of outstanding stock options		-	-
		15,395	15,143
Per share amount	$	0.89	(0.05)

Common shares issuable under the terms of the Company's stock option plans have not been included in the calculations of diluted earnings per share for the year ended December 31, 2002, and the year ended December 31, 2001, as their effect is anti-dilutive.

The following table presents pro-forma net income, earnings per share, and diluted earnings per share using the fair value method of accounting for stock-based compensation. The pro-forma adjustments presented below pertain to new awards granted since adoption of the new stock-based compensation standards on January 1, 2002, as described in the summary of significant accounting policies.

in thousands, except per share amounts		2002
Net income for the year	$	13,771
Pro-forma adjustments		(145)
Pro-forma net income for the year	$	13,626
Basic		
Weighted average number of common shares outstanding		15,395
Pro-forma earnings per share amount	$	0.89
Diluted		
Weighted average number of common shares outstanding		15,395
Impact of outstanding stock options		-
		15,395
Pro-forma diluted earnings per share amount	$	0.89

The fair value of each option granted is estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions used for grants:

Assumption	
Dividend yield	2.0 %
Expected volatility	29.1 %
Risk-free interest rate	5.25 %
Expected lives	7.5 years

16. COMMITMENTS AND CONTINGENCIES

(A) Operating Leases

The Company has long-term lease agreements for certain cold storage facilities, office space, computer operating systems, and equipment, the latest of which expire in 2009. These leases generally contain renewal options for periods ranging from one year to five years and require the Company to pay all executory costs such as maintenance and insurance. Future minimum lease payments under these operating leases for the next five years will be approximately as follows:

2003	$	4,845
2004		4,289
2005		3,767
2006		3,388
2007		1,556
Thereafter		245

(B) Letters of Credit

The Company has letters of credit outstanding as at December 31, 2002, of USD $8,690,000 (2001; USD $7,479,000) related to the procurement of inventories.

(C) Guarantees

As at December 31, 2002, the Company has guaranteed vessel loans of third parties in the amount of $1,065,000 (2001; $1,695,000).

(D) Capital Asset Commitments

As at December 31, 2002, the Company has $1,800,000 (2001; $13,300,000) in outstanding commitments for various ongoing capital projects.

17. FINANCIAL INSTRUMENTS

Forward Foreign Exchange and Option Contracts

At December 31, 2002, the Company held the following in forward foreign exchange and option contracts:

Currency	Outstanding December 31, 2002	To Expire 2003	Average Rate ($)	To Expire 2004	Average Rate ($)
USD	30,100	24,100	0.64	6,000	0.63
EURO	3,400	3,400	1.58	-	-
GBP	2,800	2,800	2.45	-	-

Deferred exchange losses associated with contracts unsettled at December 31, 2002, amount to $1,103,100 (2001; $3,326,000).

Interest Rate Risk Management

In November 2002, the Company entered into interest rate swap agreements effective January 1, 2003, in order to manage the risk associated with interest rate movement on Canadian floating rate debt. As at December 31, 2002, the Company has a notional amount of interest rate swap agreements outstanding of $12,900,000. Included in this amount is a USD $5,000,000 interest rate swap agreement. The fair market value of the swap transactions, which represents the amount that would be paid by the Company if the transactions were terminated at December 31, 2002, was $58,000. For the year ended December 31, 2002, net interest income from interest rate swaps amounted to $41,000.

18. SUPPLEMENTAL CASH FLOW INFORMATION

		2002	2001
Cash paid during the year for:			
Interest	$	4,628	6,226
Income taxes		9,227	6,634

Included in the Company's cash balance of $9,954,000 as at December 31, 2002, is a restricted amount of $2,875,000, the Company's proportionate amount of restricted cash of a joint controlled entity (note 5).

19. COMPARATIVE FIGURES

Certain amounts for 2001 have been reclassified to conform with the presentation adopted for 2002.

Five-Year Financial Summary[1]

Years ended December 31, (Reference should be made to the Company's consolidated financial statements and notes thereto.)

dollars in thousands, except for per share data and statistics	2002	2001	2000	1999	1998
INCOME STATEMENT:					
Sales	$ 740,914	703,115	723,153	708,911	681,563
Expenses – Cost of sales and expenses excluding amortization, interest, taxes, and unusual items	703,706	668,209	683,718	676,515	655,206
EBITDA – Income before interest, taxes, amortization, and unusual items[2]	37,208	34,906	39,435	32,396	26,357
Amortization	9,877	9,806	9,030	9,667	8,264
Income before interest, taxes, and unusual items	27,331	25,100	30,405	22,729	18,093
Interest	5,797	6,812	6,742	7,146	7,467
Unusual items	-	14,543	-	965	-
Income before taxes	21,534	3,745	23,663	14,618	10,626
Income taxes	7,763	4,445	9,615	6,404	4,828
Net income (loss)	$ 13,771	(700)	14,048	8,214	5,798
FINANCIAL POSITION:					
Working capital	$ 116,287	116,416	133,276	119,270	110,118
Capital assets	110,253	96,617	93,622	94,632	90,043
Total assets	390,885	348,806	326,362	329,768	343,791
Long-term debt	55,607	55,821	62,275	62,323	57,471
Shareholders' equity	200,958	192,313	192,904	179,775	176,213
CASH FLOWS:					
Cash provided by operations before changes in non-cash working capital	$ 24,140	9,048	25,620	20,753	17,384
Additions to capital assets	26,646	14,874	8,322	14,101	24,517
Repayment of long-term debt	11,523	11,359	8,439	8,132	6,065
Issue of long-term debt	14,460	3,063	10,000	15,000	5,000
Repurchase of common shares	67	2,235	3,141	822	1,249
Dividends paid	2,771	2,729	2,157	1,822	-
SHARE INFORMATION:					
Per share ($):					
Basic earnings	0.89	(0.05)	0.93	0.54	0.38
Diluted earnings	0.89	(0.05)	0.89	0.47	0.38
Dividends	0.18	0.18	0.14	0.12	-
Book value[2]	13.05	12.70	12.77	11.90	11.56
Weighted average number of shares outstanding (000s)	15,395	15,143	15,103	15,108	15,242
STATISTICS:					
Current ratio	1.9:1	2.2:1	2.9:1	2.3:1	2.0:1
Long-term debt as a % of capital structure	21.7	22.5	24.4	25.7	24.6
Number of active vessels	21	20	20	18	15
Number of active plants	10	10	10	10	10
Number of active vessel service centres	3	3	3	3	3
Number of employees	3,400	3,400	3,500	3,400	3,400
Landings (tonnes):					
Groundfish	22,200	24,900	26,300	21,400	16,400
Shellfish	22,700	22,300	27,100	26,300	24,800
Other	1,500	700	800	1,500	2,800
Total	46,400	47,900	54,200	49,200	44,000
Global sourcing highlights (tonnes):					
Groundfish fillets	17,900	17,500	17,400	15,500	15,300
Semi-processed groundfish	-	500	400	3,000	6,300
Warmwater shrimp	12,500	11,300	10,300	12,200	12,700
Value added production (tonnes)	28,800	29,900	29,000	29,300	28,700

Note 1: Certain amounts for prior years have been reclassified to conform with the presentation adopted for 2002.

Note 2: The Company has included information concerning EBITDA and book value per share because it believes that these measures are used by certain investors as measures of the Company's financial performance. EBITDA and book value per share are not measures of financial performance under Canadian generally accepted accounting principles and are not necessarily comparable to similarly titled measures used by other companies. EBITDA and book value per share should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with Canadian generally accepted accounting principles).

Corporate Governance

OVERVIEW

The governance of the Company is the responsibility of the Board. Corporate governance refers to the processes undertaken to effectively manage the Company. This encompasses the operation of the Board as well as the Company's relationships with its shareholders, customers, employees, creditors, suppliers, and the community at large. The Board is committed to attaining high standards of corporate governance. The Board has considered the governance guidelines adopted by The Toronto Stock Exchange and believes it conforms, in all material respects, to the objectives of those guidelines.

BOARD OPERATION

The mandate of the Board is to supervise the management of the business and affairs of the Company with the objective of enhancing shareholder value.

The Board's main areas of responsibility include: (i) participating in the development of strategic and operating plans; (ii) setting financial goals; (iii) identifying key risks and approving systems to manage these risks; (iv) approving financial statements; (v) reviewing and approving capital spending; (vi) overseeing communications with shareholders; (vii) developing and updating the Company's approach to corporate governance; (viii) reviewing the integrity of the Company's internal controls; and (ix) overseeing the management information systems. In addition, it is responsible for management succession planning, dividend policy, and environmental matters.

The Board has established corporate governance practices which enable it to carry out its responsibilities in an effective manner. There are not less than four scheduled meetings of the Directors held each year. In 2002 the Board met 10 times. During the year the Board completed a board effectiveness survey concerning matters such as board size, rotation of directors, and distribution of board functions.

In addition to regularly scheduled meetings, special meetings are held as required. Prior to each board meeting, Directors receive a comprehensive information package, including the agenda, minutes of the previous meeting, presentations, and other materials relating to business items on the agenda. Orientation for new Directors includes meetings with the Chief Executive Officer and Chief Financial Officer focusing on business operations, financial results, and strategic matters.

Certain duties have been delegated to four committees of the board: (i) Audit Committee; (ii) Resources Committee; (iii) Growth and Investment Committee; and (iv) Corporate Governance Committee. The Chair of each committee reports to the full Board subsequent to each committee meeting.

BOARD INDEPENDENCE

The Board currently consists of 13 members. The Board believes its size is appropriate and permits the active participation of all members. It is board policy that the Chief Executive Officer is the only member of management who can serve as a member of the Board. In 2002, all other board members were unrelated within the meaning of The Toronto Stock Exchange guidelines. The membership of each board committee is comprised entirely of unrelated directors. In addition, any individual director can engage an outside advisor at the expense of the Company, with the concurrence of the Resources Committee or Corporate Governance Committee.

Comprehensive job descriptions for the Chairman and for the Chief Executive Officer are in place. The Company's objectives for the Chief Executive Officer are approved by the Board annually. The Resources Committee annually assesses the performance of the Chief Executive Officer against these objectives.

As part of the Board's corporate governance system, the Resources Committee and the Corporate Governance Committee have been designated to oversee the Board's relationship with Management. As well, at each regularly scheduled meeting, the Board follows the practice of holding discussions in the absence of the Chief Executive Officer and other members of management. The Board believes that it has taken appropriate steps to ensure that it is able to act independently of Management.

SHAREHOLDER COMMUNICATIONS

The Board believes that it has effective communications with shareholders and that the avenues available for shareholders and others who may be interested in obtaining information about the Company are responsive and efficient. The Chairman, Chief Executive Officer, Chief Financial Officer, and Secretary Treasurer are responsible for investor relations and shareholder enquiries.

Shareholders' enquiries are treated on a priority basis with prompt responses from the appropriate officer of the Company. In addition, a significant portion of the Company's communications with its shareholders is reviewed by the Board prior to distribution to the shareholders, including its annual report, annual financial statements, management's discussion and analysis, annual information form, quarterly results and comments of management thereon, and the Company's management information circular.

BOARD COMMITTEES

There are four committees of the Board: Audit Committee, Resources Committee, Growth and Investment Committee, and Corporate Governance Committee.

The Audit Committee reviews, reports, and provides recommendations to the Board on the annual and interim consolidated financial statements and the integrity of the financial reporting of the Company. It also makes recommendations regarding the appointment, terms of engagement, and proposed fees of the external auditors. The Committee is composed entirely of unrelated directors. It meets separately with Management and the external auditors to ensure that the Committee's responsibilities are properly discharged with respect to the presentation of financial statements, disclosure, and the review of internal controls. The Committee will periodically retain independent third-party professional firms to review specific processes and management control functions to assist the Committee in discharging its responsibilities with respect to internal controls.

The Resources Committee reviews, reports, and provides recommendations to the Board on the following: (i) remuneration of senior executives; (ii) succession planning for officers and other executives; (iii) the performance of the Chief Executive Officer and other senior officers; (iv) the performance and integrity of the Company's pension plans; and (v) the appropriateness of the Directors' remuneration.

BOARD COMMITTEES continued

The Corporate Governance Committee reviews, reports, and provides recommendations to the Board on the following: (i) nomination of candidates for election to the Board; (ii) the effectiveness of the Board and its Committees and the performance of the Directors; and (iii) all other matters related to corporate governance.

The Growth and Investment Committee reviews, reports, and provides recommendations with respect to ongoing consideration of opportunities for acquisitions, mergers or strategic alliances, which relate to the growth, diversification, and further enhancement of the business of the Company. The Committee reviews, reports, and, where appropriate, provides recommendations to the Board on such opportunities.

Summary of Quarterly Data

dollars in thousands, except per share data			Quarter First (unaudited)	Second (unaudited)	Third (unaudited)	Fourth (unaudited)	Total (audited)
Fiscal 2002	**Sales**	$	**178,121**	**170,083**	**189,412**	**203,298**	**740,914**
	Net income		**4,185**	**1,203**	**3,494**	**4,889**	**13,771**
	Net income per share:						
	Basic		**0.27**	**0.08**	**0.23**	**0.31**	**0.89**
	Diluted		**0.27**	**0.08**	**0.23**	**0.31**	**0.89**
Fiscal 2001	Sales	$	169,457	163,351	178,998	191,309	703,115
	Net income (loss)		3,384	(9,796)	3,792	1,920	(700)
	Net income (loss) per share:						
	Basic		0.23	(0.65)	0.25	0.12	(0.05)
	Diluted		0.23	(0.65)	0.25	0.12	(0.05)

Shareholder Information

PRICE RANGE OF SHARES

The common shares of FPI Limited trade on The Toronto Stock Exchange. The following table sets forth, for each quarter of 2002, the volume traded and the high, low, and closing sales prices of the common shares as reported by the exchange (prices in dollars):

Quarter	Volume	High	Low	Close
First	401,495	10.10	7.00	7.80
Second	1,123,000	9.50	7.76	8.25
Third	492,800	9.20	7.22	8.00
Fourth	1,286,325	8.50	7.00	8.00

INVESTOR INFORMATION

Financial and related information about the Company, including annual and quarterly reports, annual information forms, and press releases are available electronically on the Internet through SEDAR or on FPI's corporate website, www.fpil.com. Alternatively, please contact:

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Chief Financial Officer
FPI Limited
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Tel: (709) 570-0250 • Fax: (709) 570-0209 • Email: arowe@fpil.com

DIVIDENDS

In 2002, the Board declared a quarterly dividend of $0.045 per share (annual rate of $0.18 per share) that was paid in each of March, June, September, and December. In 2003 the Board approved an increase in FPI's quarterly dividend payment to $0.05 per share for the first quarter of 2003.

TRANSFER AGENT AND REGISTRAR

Requests for information concerning lost share certificates, address changes, or other shareholder account enquiries should be directed to FPI's transfer agent and registrar:

Computershare Trust Company of Canada
9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1
Tel: 1-800-564-6253 (or 514-982-7270) • Fax: 1-888-453-0330 (or 416-263-9394)
Email: caregistryinfo@computershare.com

STOCK EXCHANGE

The Toronto Stock Exchange Symbol: FPL

Corporate Directory

BOARD OF DIRECTORS

Rex C. Anthony
St. John's
Newfoundland and Labrador
President and Chief Executive Officer
Anthony Financial Inc.

Eric F. Barratt
Auckland
New Zealand
Director
Sanford Limited

Frank J. Coleman
Corner Brook
Newfoundland and Labrador
President
Coleman Group of Companies

Hon. John C. Crosbie, P.C., O.C., Q.C.
St. John's
Newfoundland and Labrador
Solicitor
Patterson Palmer Hunt Murphy

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Toronto
Ontario
Chairman and
Chief Executive Officer
James Good Capital Co. Ltd.

Rev. Desmond T. McGrath
Stephenville
Newfoundland and Labrador
Education Officer
Fish, Food and Allied Workers Union

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Newfoundland and Labrador
Solicitor
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Freeport
The Bahamas
President
Persona Inc.

John C. Risley
Bedford
Nova Scotia
Chairman
Clearwater Seafoods

Derrick H. Rowe
St. John's
Newfoundland and Labrador
Chief Executive Officer
FPI Limited

Frank C. Sobey
Stellarton
Nova Scotia
Chairman and
Vice President of Development
Atlantic Shopping Centres Ltd.

Gunnar Svavarsson
Reykjavik
Iceland
President and Chief Executive Officer
Icelandic Freezing Plants Corporation Plc.

Peter Woodward
Goose Bay
Newfoundland and Labrador
Vice President
Woodward Group of Companies

SENIOR OFFICERS

Bernard E. Beckett
Secretary Treasurer

Kevin B. Murphy
Executive Vice President
Chief Operating Officer,
Marketing and Value Added Group

Graham M. Roome
Executive Vice President
Chief Operating Officer, Primary Group

Derrick H. Rowe
Chief Executive Officer

Allan D. Rowe
Chief Financial Officer

COMMITTEES OF THE BOARD OF DIRECTORS

Audit
Eric F. Barratt, Chair
Frank J. Coleman
Hon. John C. Crosbie, P.C., O.C., Q.C.
Rev. Desmond T. McGrath
Frank C. Sobey

Growth and Investment
Brendan J. Paddick, Chair
Eric F. Barratt
John C. Risley
Gunnar Svavarsson
Peter Woodward

Resources
James A. Good, Chair
Rex C. Anthony
R. Wayne Myles, Q.C.
John C. Risley
Gunnar Svavarsson

Corporate Governance
Rex C. Anthony, Chair
Hon. John C. Crosbie, P.C., O.C., Q.C.
Frank C. Sobey

SUBSIDIARY COMPANIES

Fishery Products
International Limited

Fishery Products
International, Inc.

Fishery Products
International (Europe) GmbH

Fishery Products
International (Europe) Limited

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Forward-Looking Statements

This Annual Report contains forward-looking statements, including earnings and profitability targets for 2003. These forward-looking statements arise out of Management's experience, perception of trends, current conditions, and expected future developments, as well as other factors. By their nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved.

Readers are cautioned not to place undue reliance on forward-looking statements, as a number of important factors, as discussed herein and in the Company's other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward-looking statements. The Company includes in publicly available documents, filed from time to time with securities commissions, a thorough discussion of the risk factors that can cause the Company's anticipated outcomes to differ from actual outcomes.

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